Conquest Capital Group LLC
Press Kit

Hedge funds feel pressure with August results

By Sam Jones in London

Published: September 6 2010 22:31 | Last updated: September 6 2010 22:31 Financial Times

Hedge fund managers are facing growing pressure to deliver strong performance in the last four months of the year after yet another month of mixed results.

While August was, on average, a positive month for the industry, several big-name managers struggled to gain traction, with many more under pressure to ramp up the level of risk in their portfolios to boost year-end numbers, according to brokers.

The average hedge fund returned 0.17 per cent in August, according to preliminary month-end numbers from Hedge Fund Research.

The average fund was up 1.29 per cent this year until the end of July, according to confirmed HFR figures.

Among big-name funds, only a handful have shone, however, almost all thanks to a more bearish outlook on the global economy.

The $1.7bn Autonomy Capital saw its global macro flagship fund, which aims to make money by trading on global economic trends and events, return 0.71 per cent in August, bringing its year-to-date return to 21.3 per cent.

The $700m Conquest macro fund, meanwhile, returned 10.96 per cent in August, bringing its year-to-date return to 23.32 per cent, according to an investor in the fund.

In contrast, many of the industry's largest and most prominent global macro players have struggled.

Brevan Howard, the $28bn hedge fund manager founded by Alan Howard, was flat through August, bringing its year-to-date loss to just under 1 per cent.

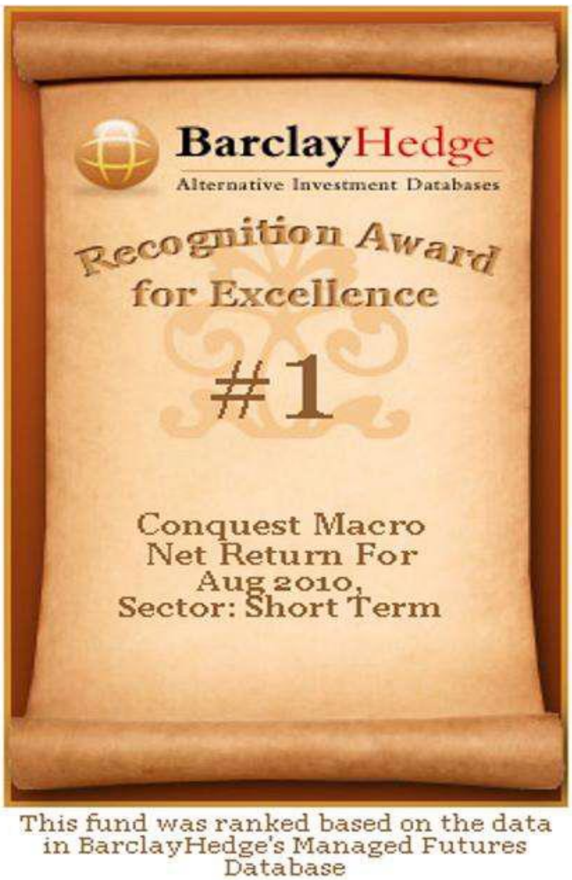
Large managers have been particularly careful of directional trades in foreign exchange and bond markets that have seen violent price movements in recent months.

Even more straightforward strategies have suffered. Equity long-short managers – which trade in the equity markets – also had another tricky month on both sides of the Atlantic.

Odey Asset Management's European fund was down on the month 4.12 per cent as of 20 August, according to an investor, bringing year-to-date performance for the UK manager to a loss of 12.5 per cent.

In the US, the Viking Global Equities fund was down 0.85 per cent for the month as of August 20.

The **Man Group**'s $21bn AHL fund returned 6.2 per cent in August, while Winton Capital saw its flagship computer-driven fund return 4.33 per cent.



Conquest (STAR UCITS)

August 2017 - Performance Award - Financial/Metals Traders Managing More Than $10M Ranked By Net Return
October 2018 - Performance Award - Financial/Metals Traders Managing More Than $10M Ranked By Net Return
December 2018 - Performance Award - Financial/Metals Traders Managing More Than $10M Ranked By Net Return

Conquest Capital (STAR)

October 2018 - Performance Award - Diversified Traders Managing More Than $10M Ranked By Net Return
October 2018 - Performance Award - Short Term Ranked By Net Return
December 2018 - Performance Award - CTAs Managing More Than $10M Ranked By Net Return
December 2018 - Performance Award - Diversified Traders Managing More Than $10M Ranked By Net Return
December 2018 - Performance Award - Short Term Ranked By Net Return
December 2018 - Performance Award - Systematic Traders Ranked By Net Return

Why Success Is Much Harder Now for Hedge Fund Managers

- **Topics:**
  - Private Equity & Hedge Funds

On Wednesday August 18, 2010, 5:16 pm EDT

To many hedge-fund managers, news that Stanley Druckenmiller was quitting the business symbolized the difficulty of chasing returns in such a volatile market environment.

After a wildly successful three-decade tenure running the $12 billion hedge fund Duquesne Capital Management, Druckenmiller announced his retirement on Wednesday.

In an emotionally charged letter to his investors, Druckenmiller, 57, said that while "there can hardly have been a luckier person in the world" than he, "the stress of performing in a way that I consider to be disappointing" and amid such choppy market conditions has taken a "high emotional toll."

As a result, he added, "this change is necessary."

Druckenmiller plans to shutter the fund in February, said a person familiar with the matter, and the name Duquesne will not live on under new management.

Druckenmiller, who was known for his bold bets, famously bet in 1992 that the British pound would be devalued, making about $1 billion for his boss at the time, fund manager George Soros, in the process.

The Duquesne founder's exit is "a loss for the hedge fund industry," wrote Marc Malek, who runs the New York-based Conquest Capital, which manages about $750 million, in an e-mail.

"The great ones are going one after the other," he added, "and we are left with a majority of levered beta players pretending to be hedge funds."

Since its founding in 1980, Duquesne never had a down year, according to the investor letter, a track record Druckenmiller hopes "will continue" in 2010.

But with a seesawing US stock market, a volatile currency market in which the euro has lurched down more than 10% against the dollar, and a continuing risk aversion among many investors that has led to light volumes, that may be a difficult goal to meet.

Still, some of Duquesne's investors appeared to be a bit more sanguine.

Saying there was "no animosity" toward Druckenmiller for his decision, one investor in the fund company's roughly 100-client base pointed out that "he's made everyone in the club a [ton] of money."

After so many years in the business, the investor added, Druckenmiller's desire to step down should not have come as a surprise.

"His investor base should have nothing to say to him," added the investor, "but thank you and good luck."

Fund bears lead the pack in volatile markets

By Sam Jones in London
Published: July 19 2010 22:58 | Last updated: July 19 2010 22:58 Financial Times

Bearish hedge fund managers are making their biggest gains since the collapse of Lehman Brothers.

Only a handful of hedge fund managers have made money in May and June, when many of the industry's biggest names were caught out by a sharp rise in market volatility.

Autonomy Capital, the $1.7bn macro fund run by former Lehman trader Robert Gibbins, is up 17 per cent so far this year, according to an investor in the fund. The fund has profited from short positions against the euro and European sovereign credit.

Other large funds to have done well include the $7bn BlueCrest Capital International, the flagship fund of London-based BlueCrest, run by former JPMorgan trader Mike Platt. The fund, which focuses on trading fixed income, was up 10.16 per cent as at 9 July, thanks largely to its bearish positions in sovereign credit. Mr Platt was not a believer in the global economic recovery, said a person familiar with the fund.

The $500m Conquest macro fund was up 22 per cent as at the end of June thanks to its bearish outlook, though it has given back around 7 percentage points this month.

GLG Partners' $160m macro fund was another winner, up 8 per cent in May alone thanks to short positions against so-called commodity currencies including the Australian and Canadian dollars.

The average hedge fund lost money in both May and June, according to Hedge Fund Research and is down 0.21 per cent so far this year.

Macro funds – which aim to profit from shifts in the global economy – have been among the most disappointing performers. The average macro hedge fund is down 1.16 per cent so far this year, in spite of some of the biggest market opportunities in decades, according to traders.

Big macro funds such as Brevan Howard, Tudor Investment and Moore Capital have all seen lackluster or negative returns. Brevan Howard, which manages $27bn and is Europe's biggest hedge fund, is up 1.39 per cent so far this year, according to an investor after returns of 1.31 per cent in June.

Only dedicated short sellers – funds that only bet on falling prices – have fared well in May and June. On average, they returned 3.6 per cent in June and 7 per cent in May amid declines in stock markets in Europe and the US. The strategy is still down 3.35 per cent on the year, however, and many managers have yet to make back losses suffered in 2009.

CNBC Videos
Airtime: Wed. Jul. 7 2010 | 10:11 AM ET
A top performing hedge fund manager in June talking to CNBC about his investment playbook, with CNBC's Kate Kelly.
http://www.cnbc.com/id/15840232?play=1&video=1539113948

Airtime: Fri. Jul. 2 2010 | 12:22 PM ET
The Strategy Session crew takes a look at the best and the rest in the hedge fund space.
http://www.cnbc.com/id/15840232?video=1535931061&play=1

Marc H. Malek

Managing Partner at Conquest Capital Group, Systematic Macro and FX Trading US Firm

Explains Conquest's short-term systematic trading approach with a trend-following bias, and how the use of several strategies and quantitative models can ensure disciplined investment decisions.

Interview by JW Partners for FX Trader Magazine

INTERVIEW

Manager	Conquest Capital Group
Strategy	Conquest Macro FX
Location	New York
Assets Under Management	660 mln Usd
Type	Long Vol / Momentum
Style	Fundam Systematic ental
Instruments	OTC, FX Spot and Forwards
Currencies	Australian Dollar, British Pound, Canadian Dollar, Euro, Japanese Yen, Swiss Franc, British Pound / Japanese Yen, Euro / Japanese Yen, Danish Krone,New Zealand Dollar, Norwegian Krone, Swedish Krona

JW: Is FX a unique market? In what trading currencies is different than trading other financial instruments?

MM: FX is unique in that it has historically been a 24-hour market and is liquid at virtually any given point in time, including periods where exchanges are closed. This difference creates a level of gap risk that is not present in other markets.

Although the advent of 24-hour electronic trading has changed the landscape to some extent, other instruments are still keyed off of exchange trading hours and see liquidity deteriorate during off-hours periods. Moreover, because FX has historically been a 24-hour market, 24- hour models built on past data are more reliable because they are trading FX as it has always been traded as opposed to the manner in which the market has evolved over the past few years.

JW: When and why did you decide to create Conquest created?

MM: Prior to launching Conquest I ran Exotic Derivatives in FX at UBS as well as FX Proprietary Trading for the merged SBC/UBS bank in Europe and the U.S. I built and managed businesses in foreign exchange, derivatives in the U.S., Europe and Asia. While managing these businesses it became clear to me that emotions can end up playing a negative role in trading decisions. Most professional traders have clear trade- entry algorithms in mind. Certain events have to occur before a trade is initiated. Typically, before the trade is put on, the trader sets pre-determined stop-loss and take-profit levels. In reality, however, most traders let losses run beyond their stop-loss and take profits too early. A system, however, will execute the same trade ideas without the risk of emotions coming into play. If the trader has a good strategy, a system will execute it more efficiently.

Given our strategy however, we were not just looking to create an absolute return portfolio, but rather a combination of absolute return and portfolio hedge product. We desired to create a product that would produce significant returns during systemic shocks such as 1998, 2002, and 2008.

JW: how is the company structured today? What are the key positions in an FX Management company?

MM: Conquest Capital Group is based in New York with a current headcount of 12 people. As anyone would suspect, our quantitative research team is vital to the success of our business. That being said, our middle and back office and IT teams keep the business running smoothly. People often underestimate the importance of these roles.

JW: Which authorities regulate Conquest? Do you keep and update procedure manuals, and a compliance and risk management policy? how time consuming and how important is it to satisfy regulation requirements on one side, and internal procedures on the other?

MM: Conquest Capital LLC is registered with the Commodity Futures Trading Commission as both a commodity trading advisor and a commodity pool operator and is a member of the National Futures Association in such capacities.

We are very proud of the compliance and risk management policies and procedures that we have instituted within Conquest. Our internal documents such as our Compliance Manual, Employee Manual, and Business Continuity and Disaster Recovery Policy are updated at least annually and all members of the firm are required to sign an affirmation to acknowledge their understanding of the contents contained therein. With the proper policies in place, and the culture of the firm established, we feel our internal procedures and controls actually go above and beyond our regulatory requirements. It is with this proper foundation and culture of compliance that makes ongoing maintenance a much less burdensome task and general revisions and routine testing become familiar aspects in our ordinary course of business.

JW: how would you describe your investment strategy?

MM: Conquest Macro FX is a short-term systematic trading strategy with a trend-following bias. Research has shown that new information is not assimilated instantaneously by all market players. Prices move in “random walks” with mean reversion in trading ranges most of the time when supply and demand are in balance and trend the remaining time due to supply and demand imbalance as information is absorbed in the market. Put more simply, markets spend short periods of time going to new trading regions, and most of the time consolidating in those regions. Some factors that affect the existence of trends are:

1) Information often comes out gradually. For example, the state of an economy is implied in a plethora of economic statistics that come out one at a time.

2) Monetary policy changes are implemented incrementally rather than in one large move.

3) Information might require analytical processing, which is not instantaneous.

Information inflow is continuous, and so is the absorption process. As more and more players react to news and enter the market, the market trends. The existence of trends is verified by academic research, which shows skewness, kurtosis and auto-correlation beyond what one would expect from the random walk theory. however, it is critical to apply disciplined risk control when trading, as one cannot know for sure when a trend is starting or ending. Not all trades will be profitable, but disciplined money management will ensure that drawdowns are kept to an acceptable level while waiting for the next profitable trend to start.

JW: how and when did you develop your current FX management strategy?

MM: The system has been trading since May 1, 1999. however, the composition of the program has evolved over time as new systems have been added and markets have been adjusted.

JW: Risk, an exciting yet dangerous word. how do you manage it?

MM: Risk management is inherent to our goal of maximizing the average return divided by the largest cumulative drawdown. After creating a robust system and a well-diversified portfolio that maximizes our return relative to this largest drawdown, we select our level of exposure so that the maximum hypothetical drawdown is well below our acceptable real-time drawdown level.

JW: Do you use a blend of strategies for diversification?

MM: Conquest uses quantitative models to ensure disciplined investment decisions. In order to maximize the diversification benefits of the currencies traded, Conquest uses several trading strategies. Within each strategy, the parameters are the same

for all currencies traded. Each strategy takes advantage of trends that occur in different time frames, and works totally independently of the other strategies. What is considered trend-following in one time frame is counter-trend in another timeframe.

The first strategy exploits short-term price/time/volatility relationships. The strategy looks for certain short- term price/volatility relationships to enter the market. Specifically, it takes advantage of low market volatility points where one can enter with a high reward potential (a tight stop with low likelihood of being stopped out due to market noise). The second strategy looks to capture market movements that constitute a short-term trend. The third strategy exploits counter-trend opportunities within longer-term trends. The fourth strategy selectively captures risk premium from the markets and is only employed during risk-seeking environments, which tend to exhibit lower or depressed volatility over extended periods.

JW: how do you think your performance has been over time? What market conditions could have a positive or negative impact on it?

MM: Since our inception, Conquest Macro FX has delivered on its mandate to outperform in high volatility environments. The program has proven to be a great diversifier for almost all portfolios.

Short-term trends with consolidation and continuation periods are most beneficial to our systems. We expect to particularly outperform the competition when long-term trends reverse, as our shorter-term systems are quick to enter trades against long-term trends. We will experience difficulties in periods where a directionless market has high volatility on a daily basis.

JW: Do you use less mature currencies?

MM: We do not. Liquidity is the first and most important criterion in selecting markets for the portfolio.

JW: Do you think some of the less mature currency pairs are viable for individual traders, who don't have to worry as much about huge liquidity? Would you suggest to trade them?

MM: Each trading strategy is suited to trading a different set of markets. Our strategy is much more short-term and thus demands that the instruments traded are extremely liquid. The inability to execute a trade without significant slippage would have a material effect on our performance. If a strategy has a trade horizon of 1-2 years, the universe of acceptable markets would certainly be larger because a bad fill would not ruin the profitability of a trade. That said, as one begins to trade less mature currency pairs, gap risks and fast markets become much more likely.

JW: When developing strategies, how do you allocate your time between building entry signals, exit signals and money management rules?

MM: We have found that every strategy generates alpha in three ways: entry criteria, exit criteria, and money management. We tend to devote equal attention to each of the three components because each one is essential. however, each system will have its own unique traits and composition. Certain trading systems will emphasize the entry signals and use more generic exit strategies, others will emphasize the latter. The important consideration is that it is essential that the strategy be robust and that the model does what it is supposed to do.

JW: how much time do you allocate to research and development of existing or new strategies?

MM: We continuously attempt to expand the number of systems and markets without changing the core risk parameters and return profile of the program. In January 2002, we expanded short-term trend-following and short-term trading strategies, while eliminating our long-term trend- following strategies. We believe that long-term trend-following returns are commoditized and there is no alpha to be derived in that space. Consequently, we can achieve a higher Sharpe ratio by being more short-term oriented.

In March 2005, we integrated two of our major research studies into the design of Conquest Macro FX. These studies covered the relationship between short-term strategy returns and market risk appetite. Conducted in parallel, the studies produced two significant conclusions:

1. The general risk appetite level of the market environment can be measured and that it tends to change slowly over time.
2. Short-term trend-following strategy returns provide conditional long-volatility exposure (i.e. they exhibit high correlations to the change in volatility when volatility rises significantly but are only slightly correlated to the change in volatility when volatility rises slightly or declines).

Using the proprietary metric we devised to measure market risk aversion, our Conquest Risk Index, we observed that market risk appetite was quite high at the time. This period of risk accumulation created an environment that would likely continue to be unfavorable for Conquest Macro FX's long-volatility strategy. The latter conclusion left us confident that we could preserve our long-volatility profile should there be a rise in volatility while reducing the drag on Conquest Macro FX's returns. harnessing these two effects led us to adjust Conquest Macro to become a dynamic strategy allocating risk based on the risk environment among our sub-strategies.

In 2010, we improved the strategy further by integrating our environmental analysis with observations regarding downside exposure. This refinement is an extension of the research that led to the 2005 strategy enhancement. Whereas the prior enhancement focused on the composition of the portfolio but kept leverage more or less constant, this enhancement adjusts both the leverage and system composition of the portfolio.

JW: Do you believe in ever-valid rules, or every strategy loses its accuracy sooner or later? have you ever found strategies that come back into phase after a long time in negative?

MM: I think the performance of trend-followers over the past 30 years suggests that trend-following has been a fairly robust, if unspectacular strategy, even with its drawdowns. Within our strategy, we have models that been trading since 2001 or earlier and are still profitable. Models tend to fail for a number of reasons, but here are five of the most common:

1. They are over-optimized
2. They require more liquidity than is reasonably available in the market
3. They attempt to exploit market behaviors that no longer exist
4. They attempt to exploit market behaviors that occur infrequently
5. They have significant tail risks

Models that come back into phase typically either work infrequently or exhibit sufficiently large tail risks that they are removed from trading. The risk is that it is difficult to infer whether a model will continue to generate gains after a profitable run unless it is possible to identify the factors that contribute to its success and determine whether those factors are present at any given time.

JW: Do you adjust to cope with new market conditions?

MM: No, our system parameters are not changed to meet market conditions.

The systems are designed to adjust to changing market conditions.

JW: Do you favor any particular time frame in your strategies? What is your average trade duration?

MM: Conquest Macro FX is a short-term strategy with average trade duration of 6 days. We believe that long-term trend-following returns are commoditized and there is no alpha to be derived in that space. Consequently, we can achieve a higher Sharpe ratio by being more short-term oriented.

JW: What should an inexperienced trader watch when choosing a time frame?

MM: Each situation is specific, but I can tell you that you should not trade a strategy for which you do not have the time or resources.

JW: What are your average and maximum leverage levels?

MM: Our average margin-to-equity ratio over the past five years has been roughly 7.50% and has been below 25% more than 99% of the time over the past five years

We maintain a strict margin limit of 33% to limit tail risk due to excessive exposure and position concentration. This limit is rarely even approached.

JW: how many execution brokers do you use? how do you split execution between electronic and voice?

MM: We use a wide variety of counter-parties, certainly in double-digits. The majority of our execution is voice or agency execution, although we use electronic execution for a significant percentage of our market orders.

JW: What historical data do you use in developing your strategies?

MM: We have tested our current strategy and market portfolio for the period beginning with January 1990. This testing period is representative of a wide range of market conditions, provides a large enough sample size per system and includes difficult trend-following periods, such as 1994 and 1999.

JW: Which tools do you use in the strategy development process?

MM: The strategies are programmed using our own proprietary model evaluation system and positions are managed using our proprietary trade generation and entry database. These two databases read the same decision code, so models developed in the testing database translate directly to the order generation database. We also use an "off-the-shelf" package for additional validation of the testing results.

JW: how does liquidity impact the efficiency of your strategies? have you already explored to what AUM limit the strategies would allow you to grow to?

MM: Short-term strategies are heavily dependent on liquidity hence we restrict our strategy to the most liquid currency markets. Trade size does not grow linearly with assets, however. We have devoted a significant amount of research to signal diversification and have a large library of systems that have been developed over time. With the constant evolution of our trading strategy, we have been able to diversify the number and type of models we trade.

I believe that the strategy can manage at least $2 billion before there would be any effect from trade size.

JW: What is the single biggest strength of your team? And is there any particular advance that has taken place since Conquest started that has particularly benefited your trading?

MM: The biggest strength of the team is the diversity in background and experience that each person brings to the table. Our two senior research analysts both have trading and execution experience. Our head trader worked as a sell side options dealer. Our COO has worked with a variety of hedge funds at a large investment bank.

The largest advance was the development of the Conquest Risk Aversion Index. The ability to quantify risk appetite has made it possible for us to allocate risk to our portfolio and between our strategies more effectively.

JW: Can you give us your feeling about the evolution of the EurUsd over the next 6/12 months?

MM: The continued instability in Europe and the departure from the Euro as a reserve currency suggest that parity to the Dollar is back on the horizon.

JW: What's the best advise you would give to an individual trader and to a semi-professional trader who wants to enter the FX fund management industry?

MM: It is a very exciting and rewarding space. In general, the most important criteria for a successful trader are discipline with entry and exits and the patience to let trades come to you rather than chase them or look for them. Overtrading and poor discipline are the two most common causes of losses and blowups.

REUTERS

Analysis: Hedge funds bank on a second-half jolt

Fri, Jul 9 2010

By Emily Chasan and Svea Herbst-Bayliss

NEW YORK/BOSTON (Reuters) - The first half of the year was a tumultuous one on Wall Street, but just going by the numbers it was a ho-hum period for most hedge funds with many managers posting flat to slightly lower returns.

To date, the average hedge fund is down 1.45 percent, according to data released by Hennessee Group LLC on Thursday. But compared to the 7.6 percent decline in the Standard & Poor's 500, the lackluster performance of the $1.6 trillion hedge fund industry doesn't seem so shabby.

Still, for wealthy investors, pension funds and university endowments, all of which have come to expect hedge fund managers to make money in both good and bad markets, simply posting smaller losses than a benchmark index may not cut it.

And that means in the second-half of the year the pressure will be on managers, many of whom are still trying to regain their investors' confidence after a brutal 2008 that led to many fund liquidations, to end 2010 firmly in the black.

Even star managers like John Paulson whose investors celebrated his double digit returns in 2008 and 2007, may be feeling the heat. This year, Paulson's flagship Paulson Advantage fund is down nearly 9 percent.

"A lot of funds rebounded last year from 2008, but if an investor is looking at them over a three-year-period and they are flat this year, they're not making money," said Jayesh Punater, founder of Gravitas Technology, which provides financial services to hedge funds.

The fear for many managers is that if they can't turn things around in the second-half, investor redemption requests could surge in December and reverse the trend of new money coming into the industry.

Already, investors have sent roughly $24 billion into hedge funds in the first five months of 2010, about the same amount they added in the last four months of 2009, according to data from TrimTabs.

To be sure, hedge fund managers had to navigate their way around a lot of obstacles and unforeseen events in the first six-months of the year.

Concerns about Europe's sovereign debt, the impact of financial regulatory reform on bank earnings, the potential for a double-dip recession and the still unexplained reasons for the May 6 flash crash all have played havoc with various investing strategies. The first-half has been a particularly rough one for funds focused on pro-growth, global macro and currency strategies.

"The noise quotient in the market has been very high this year and it is hard to make money when there is that amount of underlying volatility," said Jason Bonanca, head of strategy and research for hedge fund MKP Capital Management in New York.

FLAT IS THE NEW UP (AGAIN)

But ultimately managers, who are often paid a 2 percent management fee and take 20 percent of annual profits, will have to justify those high fees with returns to their investors, who might have made more in a bank account even in times of low interest rates.

"People who are flat are not going to be happy but given all the headwinds that you've seen this year, what's important is they haven't lost their capital," said Robin Lowe, head of equity hedge for the United States and Europe at Man Group (EMG.L: Quote, Profile, Research). "This industry's about long term capital growth, and that also means capital preservation... If you are flat to slightly positive on the year and indexes are down around 10 percent, that's a pretty good outcome."

WHAT WORKED

Still, some strategies have found positive territory.

Investors who bet on corporate debt have fared better than most, as fixed income funds were up 5.69 percent in the first half, according to numbers released by the Hennessee Group.

Distressed investing also fared well in the first half of 2010, with distressed global security funds up 6.86 percent on average through June, according to data from HSBC Private Bank.

But some experts feel those strategies have run their course and forecast that investors will put their money into other strategies, favoring managers who select stocks, bet on big events like mergers and get the global bets on currencies and interest rates right.

"The hottest strategies right now are event driven, equity long short and global macro," said Carrie McCabe, who founded Lasair Capital after running Blackstone Alternative Asset Management and FRM Americas.

While global macro funds on average are flat according to Hennessee, several macro-oriented funds have seen out-sized returns.

Autonomy Capital which oversees about $1 billion, is up 17 percent since January after gaining 3.6 percent in June, people familiar with the fund's returns said. New York-based hedge fund Conquest Capital Group's macro fund is up more than 20 percent this year, "This is really a great time to be in macro -- this amount of imbalance is what generates returns over the long haul," said MKP's Bonanca.

On the event-driven side, James Dinan's York Capital has gained roughly 25 percent over the last 12 months, people familiar with the $14 billion New York-based fund's performance said. Part of the reason event oriented managers could deliver big gains in the second half of the year is that world wide growth hasn't picked up as quickly as many had expected, leaving companies ready to grow by acquisition.

INVESTORS TAKE A SECOND LOOK

In spite of the flat returns, demand for hedge funds has actually grown again since the financial crisis and is expected to pick up more in the second half of the year and into early 2011, investors and industry analysts said.

"These days investors are asking themselves where do you put your money? Cash yields you nothing and real estate is not doing particularly well either," said Lasair's McCabe. "That leaves stocks and hedge funds," she said.

As investors scout for investments, they will have plenty of new managers to choose from as a bevy of industry veterans are spinning out of their old firms to launch their own.

"Quite a lot of managers are leaving their firms and going out on their own and at the banks a lot of people are concerned about the Volcker role and hence are looking to open their own shops," Gravitas' Punater said, noting most recent launches have been in the $100 million to $500 million range, while a handful of new managers have raised over $1 billion.

But the question remains how much money these relative newcomers will be able to raise. Some industry analysts said that in uncertain times they would prefer to go with blue-chip managers who boast a longer track record and have weathered storms before.

"I like having money with people who have been through changing times before," McCabe said.

(Reporting by Emily Chasan and Svea Herbst-Bayliss)

Ex-Perry Partner Hangs a Shingle

The former head of **Perry Capital's** European business has opened his own hedge fund shop.

Daniel Goldring, who was a partner in **Richard Perry's** New York firm, plans to launch a long/short equity fund from his recently established firm, called **Elementum.** The fund would take a value approach to companies in the U.S. and Western Europe.

Goldring spent five years in Perry's London office, where he oversaw portfolio management, as well as business operations. Joining him as a partner and portfolio manager at New York-based Elementum is **Ken Bauso,** a former managing director at **Bear Stearns.** Before Bear was sold off to J.P. Morgan in 2008, Bauso ran the firm's European merger-arbitrage and event-driven trading and sales desk.

In a bid to draw early investors, Elementum is offering reduced fees representing 1% of assets and 17.5% of gains. Investors who agree to a three-year lockup will pay a performance fee of just 15%.

For investors who join after the fund is up and running, the fee structure will be the standard 2% of assets and 20% of gains. The fund will permit quarterly withdrawals, limited to 25% of an investor's holdings per quarter.

Mixed Results for Global-Macro Funds

While some of the biggest global-macro managers suffered sharp losses last month, a number of smaller and mid-sized firms posted impressive monthly gains.

Among the winners were **Conquest Capital** of New York and **Niagara Capital** of Toronto, whose global-macro funds both gained 13% in May, and New York-based **Lyford Group International,** which rose 7%. Meanwhile, many blue-chip global-macro firms performed poorly. To wit: **Moore Capital's** Moore Global Investments fund fell 9%, its worst-ever monthly loss, while **Tudor Investment's** BVI Global fund lost 2%.

Why the discrepancy? In a word, size. The extreme volatility that characterized trading in May favored nimbler firms with short-term trading biases and high risk tolerance, market players said. The biggest firms, beholden to more conservative investors such as pension systems, were quick to dial down risk.

"The aversion to risk is a sign of post-traumatic fear in the industry;' said **Fabrizio Ladi,** head of alternatives at **Reyl Asset Management,** which invests with global-macro managers. "People are very quick to take the money off the table. Everyone realizes it could be too expensive to be on the wrong side of the market:'

Another investor griped that some large managers have grown too conservative in the wake of the financial crisis. "**George Soros** wasn't in it to play safe during the U.K. currency crisis;' he said, referring to the huge profits Soros made in 1992.

Samer Nsuouli, Lyford's investment chief, said May was "more volatile than anyone could imagine;' with the Chicago Board Options Exchange Volatility Index, or Vix, soaring 200% during a three-week span. "The speed of change was faster than what we saw in 2008;' he said. "When volatility changes so much, so quickly, managers have to quickly reposition their portfolio and change their risk exposure:'

Goldman Sachs alumnus **Peter Gerhard,** who runs **G Capital** of Red Bank, N.J., said the recent market turmoil may have opened up an opportunity for global-macro managers moving forward. "With lots of bad news priced into markets, any pleasant surprises should equate to higher prices for risk assets;' he said. "While we may not be on the verge of a major risk-asset rally, the seeds have been planted for more constructive price action for the next 2-3 months, especially if the news cycle gets no *worse:'*

SEC Finalizes Placement-Agent Plan

The **SEC** is expected to sign off today on a compromise plan that would allow placement agents to continue marketing hedge funds to public pensions.

In the wake of the **New York Common Fund** scandal, the SEC last August proposed an outright ban on third-party marketers acting as intermediaries between fund managers and pension officials. The proposal met with howls of protest from placement agents, investment managers and some pension officials, who argued that marketers play a valuable role in helping retirement plans sort out their investment options.

After receiving more than 100 comment letters, the SEC wrote to **Finra** in January inviting it to participate in the oversight of placement agents. On March 15, the financial industry's self-regulatory body responded to **Andrew Donohue,** director of the SEC's Division oflnvestment Management, by offering to draft regulations aimed at ensuring that fund marketers don't exercise undue influence over pension officials.

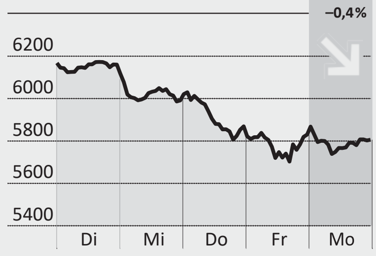
Finra and SEC lawyers huddled up in late April to iron out the details. The result convinced SEC officials that it could rely on Finra to take the lead role in policing placement agents.

In his March IS letter to the SEC, Finra chief executive **Richard Ketchum** wrote, "We believe that a regulatory scheme targeting improper pay-to-play practices by broker dealers acting on behalf of investment advisers is... a viable solution to a ban on certain private placement agents serving a legitimate function:'

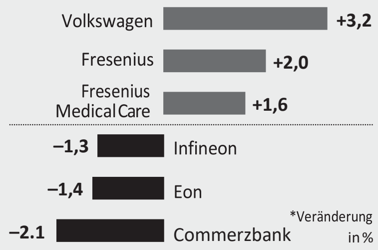
In the New York Common Fund case, third-party marketers were accused of directing kickbacks to pension officials in an effort to influence their investment decisions. The marketers, in turn, were reaping fat fees from their fund-manager clients. The case, which came to light in 2007, has led to numerous criminal indictments and guilty pleas.

BÖRSENINDIZES

Dax in Punkten — 5806, −0,4%



Tops und Flops im Dax zum Vortag*

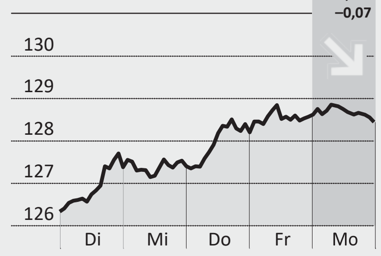


Euro Stoxx 50	2558	−0,6%
FTSE 100	5070	+0,1%
S&P 500	1082	−0,5%
Nasdaq	2236	+0,3%
Nikkei	9758	−0,3%
Hang Seng	19668	+0,6%
Dow Jones	10129	−0,6%
Micex	1269	+0,4%

Schlusskurse oder Stand 21:00 Uhr MESZ; Veränderungen, sofern nicht anders vermerkt, zum Vortag; Quelle: Bloomberg

ZINSEN

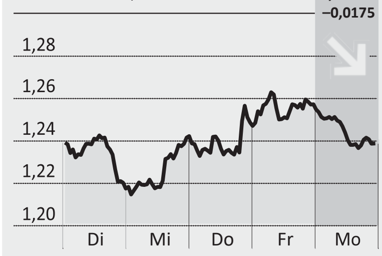
Bund-Future in Punkten — 128,47, −0,07



Bund 10 J	2,655	−0,011
3-M-Euribor	0,697	+0,002
US-Staatsanleihe 10 J	3,225	−0,013
US-Staatsanleihe 30 J	4,104	+0,004

DEVISEN

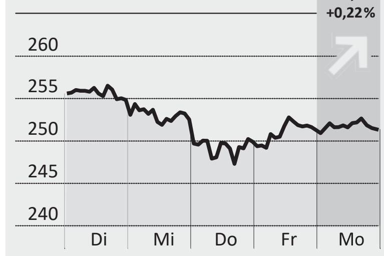
Euro Kurs in $ — 1,2397, −0,0175



€ in £	0,8585	−0,0107
€ in sFr	1,4345	−0,0103
€ in ¥	112,17	−0,97
$ in ¥	90,47	+0,46

ROHSTOFFE

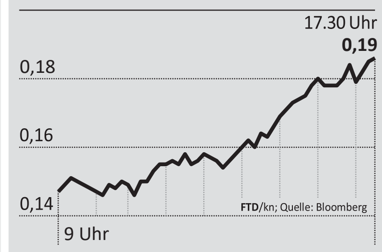
CRB Index in Punkten — 251,97, +0,22%



WTI-Öl ($/Barrel)	70,18	+0,14
Gold ($/oz)	1195,30	+18,20
Weizen (¢/Scheffel)	467,50	−4,50
Kupfer ($/t)	6845	+235

AUSREISSER DES TAGES

Arcandor Aktienkurs am 25. 5. 10 in €



Zocker am Werk Die Aussicht auf neue Kaufinteressenten für Karstadt trieb die Aktien des insolventen Mutterkonzerns Arcandor gestern um 44 % nach oben.

MARKTAUSBLICK

Risikoscheu hat die Anleger fest im Griff

VON **DORIS GRASS**, **DANIEL VON BÜLOW**, FRANKFURT, UND **MIRIAM BRAUN**, NEW YORK

Die Unsicherheit der Anleger über die Auswirkungen der europäischen Sparmaßnahmen auf die Weltwirtschaft und die Furcht vor einer um sich greifenden Regulierungswut der Regierungen wird die Märkte auch diese Woche belasten. Strategen erwarten, dass die Risikoscheu der Investoren anhält, rechnen aber mit einem Ende der extremen Turbulenzen der vergangenen Wochen.

Aktienexperten blicken mit gemischten Gefühlen auf die neue Woche: Die europäische Schuldenkrise und der deutsche Alleingang beim Verbot von Leerverkäufen schrecken Investoren ab. „Der Markt liebt Transparenz und Klarheit. Solche halb garen Lösungen stellen kein Vertrauen her“, kritisiert Robert Halver, Leiter der Kapitalmarktanalyse bei der Baader Bank. Er rechnet mit weiteren Kursabschlägen.

Vergangene Woche fiel der Dax um 3,8 % auf 5829 Punkte und der Stoxx 50 um 3,9 %. Der Nikkei in Japan brach um 6,5 % ein. Der S&P 500 verlor 4,2 % und der Dow Jones 4 %.

„Die Aktienindizes scheinen ihren zyklischen Gipfel überschritten zu haben“, schreibt Markus Reinwand, Aktienmarktstratege der Helaba. Er empfiehlt Anlegern daher, bei Zwischenerholungen auszusteigen und Aktien unterzugewichten, da sich eine ausgedehnte Korrekturphase abzeichne. Seiner Meinung nach werde offensichtlich, dass Aktien bereits einen globalen Aufschwung vorweggenommen haben. Die Experten der SEB raten dagegen, sich der konkreten Fakten zu besinnen, und verweisen auf die positiven Wirtschaftsdaten und Unternehmensergebnisse im ersten Quartal. Sie sehen daher auch eine „Zeit für Neuinvestments“.

Auch an der Wall Street dürfte die Nervosität anhalten. „Es würde mich sehr wundern, wenn wir in den nächsten Tagen eine Rally sehen“, sagt Marc Malek, Managing Partner bei der Conquest Capital Group. „Der Euro wird weiter schwächeln und die Aktienkurse auch.“ Die Rettungsmaßnahmen der Euro-Staaten würden die Wirtschaftskraft Deutschlands und Frankreichs und damit in ganz Europa das Wachstum schwächen. „Wir sitzen alle in einem Boot, und Europa ist eine der größten Ökonomien der Welt“, so Malek. Etwas optimistischer ist dagegen Brian Belski, Chefstratege bei Oppenheimer Asset Management – er sieht den Aktienmarkt „kurz von einem neuen Boden entfernt“.

Gerüchte über Notenbankinterventionen trieben den Euro zum Wochenschluss hoch. Er war im Wochenverlauf auf ein Vierjahrestief von 1,2145 $ gerutscht, erholte sich aber auf über 1,26 $ – gab jedoch die Hälfte dieser Zugewinne bereits gestern wieder ab. „Interventionen zugunsten des Euro kann ich nicht bestätigen“, sagte Hilko Kalberlah, bei der Deutschen Bank im Devisenhandel für institutionelle Kunden verantwortlich. Er machte für den starken Kursanstieg eher Deckungskäufe verantwortlich. „Die Vermögensverwalter fahren ihr Risiko zurück. Das spricht dafür, dass der Dollar als sicherer Hafen und Reservewährung gesucht bleiben wird“, sagte er mit Blick auf die neue Woche. Die Schweizerische Nationalbank kauft aber kräftig Euro zur Schwächung des Franken. Im April stiegen ihre Währungsreserven um 28,5 Mrd. auf 153,6 Mrd. Franken.

An den Rentenmärkten könnte die Hausse der Bundesanleihen ein Ende finden. Vergangene Woche war der Bund-Future auf Rekordniveau geklettert, und die Renditen zwei- und zehnjähriger Bundesanleihen waren auf Rekordtiefs bei 0,47 % und 2,62 % gefallen. Können die hoch verschuldeten Euro-Länder mit ihren Konsolidierungsanstrengungen überzeugen und bleibt weiteres Sperrfeuer von regulatorischer Seite aus, dann dürften sich institutionelle Investoren nach Renditealternativen umsehen, erwarten die Analysten der Helaba. Mit Spannung werden heute die Daten der Europäischen Zentralbank über ihre Staatsanleihenkäufe erwartet, deren Volumen inzwischen auf 50 Mrd. € geschätzt wird.

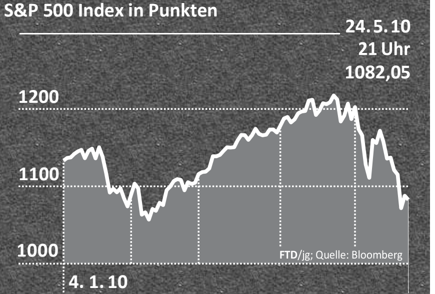
Symbolcharakter: Der Euro als Fußabtreter in der **EZB-Zentrale** in Frankfurt

Bloomberg

Rekordniveau
Bund-Future in Punkten

Hausse Die Risikoscheu treibt die Anleger in deutsche Staatsanleihen. Der Terminkontrakt auf zehnjährige Bundesanleihen kletterte auf Rekordniveau.

Im Abwärtssog
S&P 500 Index in Punkten



Abwärtssog Die Schuldenkrise in der Euro-Zone drückt auch den S&P 500. Diese Woche könnten schlechte Daten vom **US-Immobilienmarkt** den Index weiter fallen lassen.

MÄRKTE

Sorge um Spaniens Banken belastet

VON **DORIS GRASS**, FRANKFURT

Eine gewordene Rettungsaktion im spanischen Bankensektor hat am Pfingstmontag den Euro und Finanzwerte gedrückt. Die spanische Zentralbank hatte die südspanische Sparkasse CajaSur übernommen und damit knapp vor der Pleite bewahrt.

► **Devisen** Die Gemeinschaftswährung rutschte zeitweise bis auf 1,2346 $ ab und handelte am Abend bei 1,2397 $. Die Rettungsaktion in Spanien habe die Anleger wieder an die problematische Lage in vielen europäischen Ländern erinnert, sagten Händler.

► **Börsen Europa** Die Euro-Schwäche und die Ereignisse in Spanien machten auch Europas Aktien zu schaffen. Der Dax schloss mit einem Minus von 0,4 % bei 5805,68 Punkten. Der spanische Ibex-Index verlor 1,3 %. Finanzwerte standen unter Druck. Die Aktien der spanischen Institute Santander und BBVA fielen um 1,2 und 2 %. Die Papiere der Commerzbank gaben um 2,1 % nach.

► **Wall Street** Die Aktie von Apple führte eine kleine Rally der Technologie-Titel an, nachdem Morgan Stanley den Sektor empfohlen hatte. Entsprechend stieg der Nasdaq Composite bis 21 Uhr MESZ um 0,3%. Der Dow-Jones notierte indes 0,6 %, der S&P 500 mit 0,5 % deutlich im Minus.

INVESTMENTFONDS

Fortsetzung von Seite 18

Tägliche Veröffentlichung der Anteilspreise – mitgeteilt von vwd group

Name	Währung	Ausgabepreis 24.05.	Rücknahmepreis 24.05.	ZWG	Aktiengewinn	Immobiliengewinn	ATE
Latin American A*	EU	34,87	33,13	0	70,59	0,00	0
Latin American A*	SG	62,18	59,07	0	70,25	0,00	0
Latin American A*	US	44,13	41,92	0	70,23	0,00	0,42
Latin American B*	EU	31,15	31,15	0	72,06	0,00	0
Latin American B*	US	39,19	39,19	0	72,02	0,00	0,28
Latin American C*	EU	36,96	35,85	0	68,25	0,00	0
Latin American C*	US	46,44	45,05	0	68,27	0,00	1,17
Middle East A*	SG	6,96	6,61	0	-51,03	0,00	0
Middle East A*	US	8,02	7,62	0	-40,38	0,00	0
Middle East B*	US	7,49	7,49	0	-40,98	0,00	0
Middle East C*	US	8,01	7,77	0	-39,61	0,00	0
Pacific Eq. A*	EU	7,36	6,99	0	40,22	0,00	0
Pacific Eq. A*	US	9,27	8,81	0	40,18	0,00	0,23
Pacific Eq. B*	EU	6,27	6,27	0	41,13	0,00	0
Pacific Eq. B*	US	7,89	7,89	0	41,08	0,00	0,17
Pacific Eq. C*	EU	8,28	8,03	0	38,70	0,00	0
Pacific Eq. C*	US	10,40	10,09	0	38,72	0,00	0,44
QEP Gl.Act.Val.A*	EU	95,22	90,46	0	9,34	0,00	0
QEP Gl.Act.Val.A*	US	120,75	114,71	0	9,13	0,00	0,01
QEP Gl.Act.Val.Ahd*	EU	71,40	67,83	0	-22,69	0,00	0
QEP Gl.Act.Val.B*	EU	88,13	88,13	0	9,59	0,00	0
QEP Gl.Act.Val.B*	US	110,98	110,98	0	9,58	0,00	0
QEP Gl.Act.Val.Bhd*	EU	66,67	66,67	0	-23,31	0,00	0
QEP Gl.Act.Val.C*	EU	96,96	94,05	0	8,72	0,00	0
QEP Gl.Act.Val.C*	US	121,84	118,18	0	8,70	0,00	0,11
QEP Gl.Act.Val.Chd*	EU	70,84	68,71	0,010	-22,21	0,00	0
QEP Gl.Core C*	US	14,29	13,86	0	11,96	0,00	0,64
QEP Gl.Quality A*	EU	89,15	84,69	0	-34,43	0,00	0
QEP Gl.Quality A*	US	79,09	75,14	0	-34,41	0,00	0
QEP Gl.Quality B*	EU	83,39	83,39	0	-35,14	0,00	0
QEP Gl.Quality B*	US	73,99	73,99	0	-35,10	0,00	0
QEP Gl.Quality C*	EU	88,35	85,70	0	-33,91	0,00	0
QEP Gl.Quality C*	US	78,34	75,99	0	-33,92	0,00	0
Strategic Bd A*	US	130,91	124,36	2,520	-0,07	0,00	3,62
Strategic Bd A Hd*	EU	124,77	118,53	2,640	-0,01	0,00	3,66
Strategic Bd B*	US	120,90	120,90	2,240	-0,10	0,00	3,10
Strategic Bd B Hd*	EU	115,23	115,23	2,350	-0,01	0,00	3,11
Strategic Bd C*	US	131,75	127,80	2,810	-0,04	0,00	4,20
Strategic Bd C Hd*	EU	125,70	121,93	2,940	0,00	0,00	4,21
Swiss Eq. A*	CH	26,53	25,20	0	11,54	0,00	0,29
Swiss Eq. B*	CH	23,45	23,45	0	9,26	0,00	0,24
Swiss Eq. C*	CH	28,46	27,61	0	14,01	0,00	0,35
Swiss S&M Cap A*	CH	20,19	19,18	0	39,47	0,00	0,15
Swiss S&M Cap B*	CH	18,29	18,29	0	38,17	0,00	0,14
Swiss S&M Cap C*	CH	20,89	20,26	0	40,93	0,00	0,17
Taiwanese Eq. B*	US	8,96	8,96	0	-17,12	0,00	0
Taiwanese Eq. C*	US	9,53	9,24	0	-16,09	0,00	0
UK Eq. A*	GB	2,62	2,49	0	21,27	0,00	0,15
UK Eq. B*	GB	2,25	2,25	0	21,86	0,00	0,12
UK Eq. C*	GB	2,90	2,81	0	20,72	0,00	0,21
US$ Bd A*	US	19,05	18,10	0,290	0,21	0,00	2,76
US$ Bd B*	US	17,04	17,04	0,240	0,21	0,00	2,51
US$ Bd C*	US	19,46	18,88	0,320	0,21	0,00	3,04
US$ Liquid A*	US	110,92	105,37	0	0,00	0,00	5,07
US$ Liquid B*	US	104,69	104,69	0	0,00	0,00	4,60
US$ Liquid C*	US	111,62	108,27	0	0,00	0,00	6,97
US Large Cap A*	EU	48,25	45,84	0	6,59	0,00	0
US Large Cap A*	US	60,77	57,73	0	6,55	0,00	1,55
US Large Cap A Hd*	EU	81,33	77,26	0	-37,76	0,00	0
US Sm Comp. B*	US	58,16	58,16	0	31,36	0,00	0,16
US Sm Comp. C*	US	72,78	70,60	0	34,72	0,00	0,30
World Def.3 M. A*	EU	82,16	78,05	0	0,00	0,00	0
World Def.3 M. B*	EU	77,42	77,42	0	0,00	0,00	0
SEI Investments							
EmMkt Eu.Ins.B Dis*	EU	-	12,04				0
EU Ex-U.K. Eq B*	EU	-	9,22				0
Euro Core Fix.Inc.*	EU	-	9,66				0
Gl Eu.Core Fl.B*	EU	-	12,33				0,01
Glb Developed Eq B*	EU	-	7,50				0
Glbl Dev.Mrkts Eq.*	EU	-	6,50				0
Glbl Fixed Income*	EU	-	9,14				0
Glbl Opp. Fix.Inc.*	EU	-	9,85				0
GM Em.Mkt.Eq.B*	EU	-	22,74				0,09
GM Eu.(X-UK) Eq.B*	EU	-	10,13				0,20
GM Eu.Core Fl.B*	EU	-	14,32				0,72
GM Gl. Fl. Hed.B*	EU	-	11,50				0,20
GM Gl.Dev.Mkt.Eq.B*	EU	-	6,57				0,18
GM Gl.Opp.Fl.Hed.B*	EU	-	12,35				0,19
GM Hi.Yld.Fl.Hed.B*	EU	-	13,65				0
GM Japan Eq.B*	EU	-	6,72				0,03
GM Pac.Bas(X-Jap)B*	EU	-	19,21				0,37
GM PanEu.Sm.Cap B*	EU	-	12,93				0,06
GM PanEu.Eq.B*	EU	-	9,65				0
US Large Cap B*	EU	41,99	41,99	0	3,95	0,00	0
US Large Cap B*	US	52,80	52,80	0	3,95	0,00	1,19
US Large Cap B Hd*	EU	75,62	75,62	0	-39,56	0,00	0
US Large Cap C*	EU	52,64	51,06	0	9,35	0,00	0
US Large Cap C*	US	66,53	64,53	0	9,22	0,00	2,19
US Large Cap C Hd*	EU	81,64	79,19	0	-36,93	0,00	0
US S&M Cap Eq.A*	EU	106,39	101,07	0	22,81	0,00	0
US S&M Cap Eq.A*	US	134,56	127,83	0	22,72	0,00	0,11
US S&M Cap Eq.A Hd*	EU	88,86	84,42	0	-16,50	0,00	0
US S&M Cap Eq.B*	EU	98,36	98,36	0	20,83	0,00	0
US S&M Cap Eq.B*	US	123,74	123,74	0	20,82	0,00	0,07
US S&M Cap Eq.B Hd*	EU	83,29	83,29	0	-17,92	0,00	0
US S&M Cap Eq.C*	EU	108,45	105,20	0,010	24,99	0,00	0
US S&M Cap Eq.C*	US	136,78	132,68	0,010	24,92	0,00	0,17
US S&M Cap Eq.C Hd*	EU	88,51	85,85	0	-14,76	0,00	0
SPÄNGLER IQAM invest							
Seilern Glb.Tr.T*	EU	110,13	106,92	0,330	8,80	0,00	3,62
ShortTerm Euro A*	EU	66,99	66,65	1,130	0,00	0,00	0
ShortTerm Euro T*	EU	94,61	94,14	1,580	0,00	0,00	9,99
SI GEE Sel.Fd IT*	EU	135,72	129,25	0,080	0,00	0,00	
SI GEE Sel.Fd RT*	EU	115,93	110,41	0	0,00	0,00	
SparTr.Amer.T*	US	174,62	169,53	3,680	0,00	0,00	28,53
SparTr.Corp.T*	EU	153,14	147,96	5,710	-0,04	0,00	24,25
SparTr.Europa T*	EU	403,84	393,99	9,200	0,00	0,00	63,36
SparTr.Hi.Yi.T*	EU	128,94	124,58	7,090	0,00	0,00	50,51
SparTr.High Yield*	EU	80,61	77,88	4,320	0,00	0,00	0
SparTr.M (T)*	EU	133,66	131,04	3,590	0,00	0,00	20,90
SparTr.Eu.Spez. A*	EU	102,86	100,35	3,490	0,00	0,00	0
SparTr.Eu.Spez.T*	EU	120,38	117,44	4,010	0,00	0,00	11,85
SparTrust Amer. A*	US	119,58	116,09	2,520	0,00	0,00	0
SparTrust Corp. A*	EU	107,57	103,93	3,950	-0,02	0,00	0
SparTrust Europa A*	EU	272,83	266,17	6,280	0,00	0,00	0
SparTrust Flex*	EU	85,33	81,26	1,370	-20,59	0,00	
SparTrust MA*	EU	85,84	84,15	2,330	0,00	0,00	0
Stability Fonds*	EU	107,79	102,65	1,260	0,00	0,00	0
Strat.Comm. Fd (T)*	EU	89,33	85,07	2,090	0,00	0,00	0
Strat.Comm. Fd (VA)*	EU	91,56	87,20	2,180	0,00	0,00	0
Trust in the Best*	EU	66,25	63,09	0	0,00	0,00	0,32
French Funds							
State Street							
GM U.K. Eq.B*	EU	-	8,09				0,33
GM U.S. Fl.Hed.B*	EU	-	12,85				0,18
GM U.S.Lrg.Comp.B*	EU	-	6,80				0,07
GM U.S.Sm.Comp.B*	EU	-	8,50				0,12
Pac.Bas.(ExJap)Eq.*	EU	-	11,70				0
Pan Europ.SmallCap*	EU	-	8,62				0
UK Equity Fund*	EU	-	7,07				0
US Fixed Income*	EU	-	9,99				0
US Large Companies*	EU	-	7,62				0
US Small Companies*	EU	-	7,93				0
SGSS Deutschland KAG							
VILICO Ab.Ret.Def.*	EU	11,00	10,48	0,050	-0,42	0,00	0
VILICO Global Sel*	EU	50,43	48,03	0	1,56	0,00	0
Telefon +43 662-8686-886 www.spaengler-iqam.at							
Austrian EqTrust A*	EU	187,47	178,54	0	234,35	0,00	0
Austrian EqTrust T*	EU	197,29	187,89	0	-90,94	0,00	2,93
BondP.Eu.1-3yT*	EU	119,27	116,93	2,450	0,00	0,00	10,84
BondP.Eu.3-5y A*	EU	110,79	108,61	2,680	0,00	0,00	0
BondP.Eu.3-5yT*	EU	133,59	130,97	3,190	0,00	0,00	12,33
BondP.Eu.7-10y A*	EU	116,34	114,05	3,290	0,00	0,00	0
BondP.Eu.7-10y T*	EU	142,38	139,58	3,710	0,00	0,00	13,82
BondP.Infl.Pr.A*	EU	99,77	97,33	1,790	0,00	0,00	0
BondP.Infl.Pr.T*	EU	112,42	109,67	2,000	0,00	0,00	6,17
BondPf.Eu.1-3y A*	EU	102,74	100,72	2,370	0,00	0,00	0
BondPrtf ShrtT + A*	EU	57,62	55,67	0,370	0,00	0,00	0
BondPrtf ShrtT + T*	EU	67,07	64,80	0,470	0,00	0,00	3,47
Comgest Gl.Grow.IT*	EU	76,75	76,75	0	16,00	0,00	
Comgest Glb Growth*	EU	79,96	76,15	0	244,41	0,00	0
CONV.All.Cap.Con A*	EU	115,10	111,20	0	0,00	0,00	0
CONV.All.Cap.Con T*	EU	116,38	112,44	0	0,00	0,00	0
CONV.All.Cap.Con VA*	EU	116,89	112,93	0	0,00	0,00	0
EcologyStockFOCUS*	EU	106,58	101,50	0	1,26	0,00	0
JapTopixAlphaEqEUR*	EU	49,08	49,08	0	1,53	0,00	0
JapTopixAlphaEqJPY*	JP	5420,00	5420,00	0	1,58	0,00	0,05
Mater. Idx Eq F I*	US	179,39	178,58	0	-9,89	0,00	0
Materials Index Eq*	US	177,43	176,64	0	-10,41	0,00	7,27
MSCI Eur Small Cap*	EU	84,08	82,75	0	0,68	0,00	3,82
MSCI EurFinancials*	EU	34,20	33,96	0	-20,41	0,00	3,43
MSCI EurHealthcare*	EU	52,00	52,00	0	5,58	0,00	3,12
MSCI EurIndustrial*	EU	75,30	74,77	0	3,39	0,00	5,40
MSCI EurInformTech*	EU	25,58	25,41	0	-4,42	0,00	1,63
MSCI EurMaterials*	EU	111,05	110,27	0	1,25	0,00	5,31
MSCI Europe*	EU	99,94	99,24	0	-2,20	0,00	9,38
MSCI Europe Energy*	EU	85,36	84,77	0	-1,08	0,00	7,43
MSCI EurTelecomSer*	EU	37,00	36,00	0	-5,50	0,00	5,29
MSCI EurUtilities*	EU	70,27	69,79	0	-5,98	0,00	7,24
MSCIEurConsumDiscr*	EU	43,77	43,46	0	3,30	0,00	3,86
MSCIEurConsumStapl*	EU	77,14	76,60	0	13,04	0,00	3,93
N America Enh Eq*	US	140,04	139,76	0	0,14	0,00	55,69
NL Index Equity*	EU	74,56	74,26	0	2,57	0,00	8,49
Norway Idx Eq Fd I*	NO	1933,41	1925,69	0,020	-3,44	0,00	
Norway Idx Eq Fd P*	EU	237,40	236,46	0	-4,13	0,00	0,66
Norway Index Eq*	NO	1920,98	1913,32	0	-3,67	0,00	119,28
Pacific Enh Equity*	JP	13028,00	12976,00	0	-3,22	0,00	4295,43
Sing. Idx Eq Fd I*	SG	263,78	262,72	0	4,38	0,00	8,01
Singapore Index Eq*	SG	262,51	261,47	0	4,26	0,00	8,01
Equity-Portf. Eu.*	EU	83,80	79,70	0	5,82	0,00	0,48
Euro Spezial VT*	EU	126,56	123,47	4,180	0,00	0,00	11,78
Europ.Growth Trust*	EU	112,61	107,24	0	19,95	0,00	0,05
Eurp. Growth Trust A*	EU	112,38	107,02	0	11580,34	0,00	0
Global EM Trust*	EU	180,20	171,50	0	53,30	0,00	2,81
Global Macro T*	EU	109,20	104,00	1,380	-0,72	0,00	0
IQAM Equity Europe*	EU	48,71	46,39	0	-14,58	0,00	1,36
IQAM Equity US*	US	79,96	76,15	0	-14,60	0,00	0,60
Long Ter.Val.Trust*	US	173,29	165,03	0	15,70	0,00	0,12
LongTermVal.Tr.EUR*	EU	84,49	80,46	0	14,81	0,00	0
Opp.Bd Eu.Opp.A1*	EU	74,04	71,88	3,090	0,00	0,00	0
Opp.Bd Eu.Opp.A2*	EU	98,18	95,32	4,030	0,00	0,00	18,35
Pacific Grwt Trust*	EU	159,87	152,25	3,580	4,00	0,00	11,65
Pensionskassen Tr.*	EU	65,35	63,44	1,030	0,00	0,00	0
Performance Trst A*	EU	37,38	36,29	0,460	0,00	0,00	0
Performance Trst T*	EU	51,85	50,34	0,650	-0,14	0,00	6,91
Quality Stock Fnds*	EU	90,37	86,06	0	-15,12	0,00	0
Pf. F.Gre.In.Eq.A*	EU	91,32	86,97	0	18,29	0,00	0,24
Pf. F.Gre.In.Inc.A*	EU	117,04	111,47	3,260	0,00	0,00	0
Pf.F.Gr.Inv.Bal.A*	EU	87,48	83,31	0,810	8,01	0,00	0,07
T. Rowe Price INVEST WITH CONFIDENCE							
Asian Ex-Jap Eq.A*	US	8,71	8,71	0	-14,59	0,00	0
Asian Ex-Jap Eq.I*	US	12,50	12,50	0	18,24	0,00	0
Asian Ex-Jap Eq.S*	US	11,75	11,75	0	13,06	0,00	0
Asian Ex-Jap Eq.Sd*	US	22,67	22,67	0	55,32	0,00	
Em.Lcl.Mkt Bd.I*	US	11,34	11,34	0,280	0,00	0,00	0
EU Struc.Res.Eq I*	EU	10,85	10,85	0	-2,43	0,00	0
Europ.Ex-UK Eq. I*	EU	6,45	6,45	0	-60,68	0,00	0
European CorpBd A*	EU	11,61	11,61	0,190	0,02	0,00	0
European CorpBd I*	EU	14,13	14,13	0,250	0,02	0,00	0
European CorpBd Sd*	EU	12,14	12,14	0,240	0,02	0,00	
European CorpBd Z*	EU	15,56	15,56	0,320	0,02	0,00	0
European Eq. A*	EU	6,39	6,39	0	-59,14	0,00	0
European Eq. I*	EU	6,66	6,66	0	-56,53	0,00	0
GlbHiYldBdAH EUR*	EU	14,95	14,95	0	-0,03	0,00	0
Glbl Aggreg.Bd A*	US	14,65	14,65	0,230	-0,05	0,00	0
Glbl Aggreg.Bd I*	US	12,79	12,79	0,220	-0,04	0,00	0
Active World Bond*	EU	319,36	319,36	7,580	0,64	0,00	29,10
AEX Index*	EU	31,88	31,72	0	-0,31	0,00	0,97
Austral. Ind Eq Fd*	AU	275,60	274,50	0,030	-9,53	0,00	
Austral. Index Eq*	AU	273,96	272,86	0,020	-9,85	0,00	13,61
Austria Idx Eq Fd*	EU	100,62	100,22		-12,20	0,00	0
Austria Index Eq*	EU	100,35	99,95	0	-108,50	0,00	4,92
Canada Ind Eq Fd I*	CA	243,32	242,84	0	-1,06	0,00	
Canada Index Eq*	CA	241,33	240,85	0	-1,21	0,00	5,81
Con.Dis.Idx Eq F I*	US	74,74	74,40	0	3,52	0,00	0
Con.Stap.Idx Eq F I*	US	178,84	178,03		-0,98	0,00	0
ConsDiscretIndexEq*	US	73,97	73,64	0	3,08	0,00	2,98
ConsStaplesIndexEq*	US	176,86	176,07	0	-1,27	0,00	4,67
Denmark Idx Eq F I*	DK	1958,94	1951,12	0	14,74	0,00	
DenmarkIndexEquity*	DK	1946,09	1938,33	0	14,55	0,00	18,43
EmerAsiaAlphaEq I*	US	582,43	582,43	0,520	14,13	0,00	0
EmerAsiaAlphaEqEUR*	EU	472,20	472,20	0,520	14,11	0,00	2,70
EmergEuropeIndexEq*	US	338,20	333,50	0	-6,53	0,00	32,05
EmerMidE&AfricaEq*	US	373,11	367,93	0	-4,33	0,00	1,38
EMU Alpha Equity C*	EU	440,77	440,77	0	-7,96	0,00	9,85
EMU Alpha Equity D*	EU	359,81	359,81	0	-7,97	0,00	2,26
EMU Govt Bnd Ind D*	EU	231,40	231,24	9,510	0,00	0,00	0
EMU Ind Real Est I*	EU	168,00	167,00	0	-5,64	0,00	10,94
Union Investment Telefon 0180 3 959500 (0,09 Eur/min) www.union-investment.de							
GenoEuroClassic*	EU	45,33	44,01	0,300	-5,96	-0,26	0
Uni21.Jahrh.-net-*	EU	19,08	19,08	0	-71,37	0,00	0
UniEuroSt.50 A*	EU	37,91	36,45	0	3,50	0,00	0
UniFonds*	EU	34,00	32,38	0	19,14	0,00	0
UniGlobal*	EU	107,05	101,95	0,170	0,41	0,00	0
UniRenta*	EU	19,87	19,29	0,200	0,00	0,00	0
Wells Fargo (LUX) Worldwide Fund							
Asia Pacific							
Class A USD*	US	-	73,93	0	-28,12	0,00	
Class I EUR*	EU	-	60,77	0	-27,66	0,00	
Class I USD*	US	-	75,13	0	-27,66	0,00	
US Large Cap Growth							
Class A USD*	US	-	72,98	0	-35,07	0,00	
Class I EUR*	EU	-	59,27	0	-34,43	0,00	
Class I USD*	US	-	74,15	0	-34,43	0,00	
US High Yield Bond							
Class A USD*	US	-	115,29	0	-2,53	0,00	
Class I EUR*	EU	-	93,75	0	-1,15	0,00	
Class I USD*	US	-	117,27	0	-1,15	0,00	
US All Cap Growth Fund							
EMU Ind RealEstate*	EU	160,33	159,37	0	-5,82	0,00	15,64
EMU Index Equity I*	EU	194,01	193,23	0,040	-8,36	0,00	4,42
EMU Index Equity P*	EU	190,40	189,64	0	-8,50	0,00	10,37
EMUGovtBndIndex C*	EU	479,65	479,31	2,460	0,00	0,00	68,95
Energy Index Equ*	US	205,30	204,38	0	-12,48	0,00	2,09
Eur.exUK Idx RE I*	EU	195,90	194,72	0	1,00	0,00	
EURCorpIndusBndInd*	EU	164,88	163,73	2,680	0,00	0,00	27,05
Europ.Idx RE Fd I*	EU	130,75	129,71	0	-0,86	0,00	
Europ.Idx RE Fd P*	EU	128,28	127,26	0	-1,23	0,00	
Europe Alpha Eq*	EU	423,84	423,84	0	-1,34	0,00	13,93
Europe Enhanced Eq*	EU	133,74	132,94	0	-0,66	0,00	55,33
Europe Index Eq I*	EU	138,00	137,00	0	-0,60	0,00	2,19
Europe Index Eq P*	EU	135,47	134,66	0	-0,74	0,00	2,17
Financ.Idx Eq Fd I*	US	87,17	86,78	0	-14,73	0,00	0
Financials Ind Eq*	US	86,18	85,80	0	-15,16	0,00	5,52
France Index Equ*	EU	349,93	348,53	0	11,89	0,00	5,11
Germany Index Eq*	EU	94,00	93,62	0	0,54	0,00	1,37
GlEmMktsAlphaEqEUR*	EU	635,87	635,87	0	11,42	0,00	7,36
GlobAlphaEdgeEq I*	US	70,44	70,44	0	8,01	0,00	0,23
GlobAlphaEdgeEqEUR*	EU	51,93	51,93	0,430	8,42	0,00	0,17
GloEmMktAlphaEq I*	US	784,31	784,31	0	11,46	0,00	0
Heal.Care Idx Eq I*	US	108,66	108,17	0	-7,57	0,00	0
HealthCareIndexEqu*	US	107,47	106,99	0	-7,60	0,00	2,00
Hong Kong Index Eq*	HK	1542,99	1536,83	0	-69,76	0,00	44,46
HongKong Idx Eq F I*	HK	1550,37	1544,19	0	36,49	0,00	
Indust.Idx Eq F I*	US	110,29	109,79	0	0,81	0,00	0
Industrials Ind Eq*	US	109,07	108,58	0	0,36	0,00	3,33
Italy Index Equity*	EU	76,69	76,39	0	-83,97	0,00	6,61
Japan Alpha EdgeEq*	JP	4799,00	4799,00	0	0,73	0,00	0
Japan Alpha Equity*	EU	128,63	128,63	0	-14,32	0,00	0,71
Japan Index Eq I*	JP	7328,63	7299,37	0	2,23	0,00	61,54

Spain Index Equity*	EU	175,49	174,79	0	-24,91	0,00	132,38
Sweden Idx Eq Fd I*	SE	2049,19	2041,01	0	29,17	0,00	
Sweden Index Eq*	SE	2036,07	2027,95	0	-488,30	0,00	85,27
Switzerland Ind Eq*	CH	188,00	187,24	0	0,57	0,00	4,53
Switzerld Idx Eq I*	CH	189,34	188,58	0	0,79	0,00	
Switzerld Idx Eq P*	EU	132,12	131,60	0	0,60	0,00	1,47
Techn.Idx Eq Fd I*	US	51,27	51,04		1,05	0,00	
	0						
Technology Ind Eq*	US	50,68	50,45	0	1,14	0,00	0,05
Telecom.Index Eq*	US	53,09	52,85	0	-60,06	0,00	2,60
Telecom.Idx Eq F I*	US	53,77	53,53	0	-3,50	0,00	
UK Index Equity I*	GB	194,51	192,77	0	-25,70	0,00	3,48
UK Index Equity P*	GB	191,14	189,43	0	-25,89	0,00	7,55
US Alpha Eq EUR*	EU	383,01	383,01	0	21,03	0,00	1,41
US Alpha Eq USD I*	US	472,55	472,55	0	20,53	0,00	3,88
US Idx Eq Fd I hdg*	EU	110,83	110,61	0	0,92	0,00	
	0						
US Index Equity I*	US	158,53	158,21	0	0,03	0,00	4,04
US Index Equity P*	US	155,60	155,28	0	-0,12	0,00	6,81
Utilities Idx Eq I*	US	163,92	163,18	0	-12,10	0,00	
	0						
Utilities Index Eq*	US	162,00	161,00	0	-12,45	0,00	5,11
World Idx Eq Fd I*	EU	114,30	113,78	0	-6,72	0,00	1,39
World Idx Eq P hdg*	EU	102,04	101,59	0	-6,47	0,00	
World Ind Eq I USD*	US	140,97	140,34	0	-6,26	0,00	3,59
World Ind Eq P USD*	US	138,28	137,66	0	-6,45	0,00	6,86
World SRI Idx Eq I*	US	98,64	98,19	0	25,15	0,00	
Dublin Funds							
Eu.Corp.Bd Idx B*	EU	-	13,60	0,246			
Eu.Br.In.Gr.Bd.I*	EU	-	12,14				10,23
Gov. Nd. Idx Fd.B*	EU	-	13,83	0,216			
	2,04						
SSgA EMU GovBdInd*	EU	-	13,75	0,209			
		2,04					
SSgA EUR CorpBdInd*	EU	-	13,54	0,238			
		0					
SSgA US CorpBdInd*	US	-	13,71	0,282			
	2,67						
SSgA US GovBdIndex*	US	-	14,28	0,164			5,79
US Gox.Bd Idx Fd B*	US	-	14,34	0,172			
Luxembourg Funds							
EMU Alpha Eq I*	EU	-	13,12	0	29,57	0,00	
EMU Alpha Eq P*	EU	-	13,07	0	-11,37	0,00	
Eu.Ag.Co.Bd.In.Fd I*	EU	-	10,84	0,183	0,00	0,00	
Eur.Tr.Bd.Ind.Fd P*	EU	-	10,36	0,137	0,00	0,00	
Gl.Tr.Bd Ind.Fd I*	US	-	9,85	0,113	0,00	0,00	
GlobalAdvFd EMHV*	EU	1584,83	1580,87	-3,796	49,76	0,00	64,07
GlobalAdvFd MMHV*	EU	1689,01	1684,79	-3,087	12,41	0,00	177,60
Omega Fund*	EU	985,68	985,68	0	0,00	0,00	
	0						
Premia Fund I*	EU	-	99,04	0	0,11	0,00	
Rex.Gl.EM Lo.B.F.I*	US	-	10,68	0,279	0,00	0,00	

Swisscanto

Ihr Schweizer Spezialist für nachhaltige Investments

Bond InvestEUR A*	EU	70,27	66,92	0,580	0,00	0,00	
	0						
CH Eq Fd Green Inv*	CH	98,71	94,01	-0,070	13,38	0,00	0,14
Eq Fd Climat.Inv.B*	EU	72,70	69,24	0	-46,39	0,00	
	0						
Eq.Green Inv EM B*	US	115,70	110,19	0	9,06	0,00	
Eq.-Water Inv.B*	EU	82,75	78,81	0	-27,16	0,00	
	0						

Glbl Aggreg.Bd S*	US	10,65	10,65	0,180	-0,02	0,00	
Glbl Aggreg.Bd Z*	US	19,88	19,88	0,390	-0,03	0,00	0
Glbl EmMkt Bd A*	US	12,79	12,79	0,310	0,13	0,00	0
Glbl EmMkt Bd I c*	US	14,72	14,72	0,390	0,13	0,00	0
Glbl EmMkt Bd I d*	US	10,89	10,89	0,300	0,14	0,00	
Glbl EmMkt Bd Sd*	US	14,01	14,01	0,410	0,14	0,00	
Glbl EmMkt Eq.A*	US	19,12	19,12	0	42,43	0,00	0
Glbl EmMkt Eq.I*	US	22,88	22,88	0	44,70	0,00	0
Glbl EmMkt Eq.JD*	US	5,95	5,95	0	-67,24	0,00	0
Glbl EmMkt Eq.Z*	US	33,14	33,14	0	42,40	0,00	0
Glbl Equity A acc*	US	15,77	15,77	0	15,02	0,00	0
Glbl Equity I acc*	US	8,47	8,47	0	-21,79	0,00	0
Glbl Equity J acc*	US	6,82	6,82	0	-50,35	0,00	0
Glbl Equity Sd*	US	14,25	14,25	0	29,50	0,00	
Glbl Equity Z acc*	US	8,93	8,93	0	-12,04	0,00	0
Glbl FI Abs.Ret.I*	US	10,04	10,04	0,040	0,00	0,00	
Glbl HiYld Bd A*	US	17,56	17,56	0,480	0,99	0,00	0
Glbl HiYld Bd AD*	US	11,85	11,85	0,320	0,73	0,00	0
Glbl HiYld Bd I*	US	18,07	18,07	0,530	0,97	0,00	0
Glbl HiYld Bd JD*	US	9,20	9,20	0,290	1,32	0,00	0
Glbl HiYld Bd Sd*	US	12,65	12,65	0,400	1,33	0,00	
Glbl HiYld Bd Z*	US	19,94	19,94	0,630	0,95	0,00	0
Glbl Lge Cap Eq.A*	US	16,31	16,31	0	38,39	0,00	
Glbl Lge Cap Eq.I*	GB	13,35	13,35	0	15,24	0,00	
Glbl Lge Cap Eq.I*	US	16,55	16,55	0	38,30	0,00	
Glbl Nat.Resour. A*	US	6,58	6,58	0	-51,22	0,00	0
Glbl Nat.Resour. I*	US	9,50	9,50	0	-7,13	0,00	0
Glbl Nat.Resour.Sd*	US	14,85	14,85	0	32,17	0,00	
Glbl R.E.Sec.Eq.A*	US	13,20	13,20	0,010	8,95	0,00	
Glbl R.E.Sec.Eq.I*	US	13,40	13,40	0,020	8,99	0,00	
Japanese Equity A*	EU	5,57	5,57	0	-79,89	0,00	0
Japanese Equity I*	EU	6,05	6,05	0	-66,24	0,00	0
LatinAmerican Eq.A*	US	12,55	12,55	0	21,91	0,00	
LatinAmerican Eq.I*	US	8,14	8,14	0	-22,70	0,00	0
MiddleEast&Africa Eq.A*	US	5,90	5,90	0	-77,45	0,00	0
MiddleEast&Africa Eq.I*	US	7,88	7,88	0	-36,42	0,00	0
PricGl.HiYdBdAHNOK*	NO	128,94	128,94	0	0,00	0,00	0
U.S.BlueChip Eq.J*	US	8,85	8,85	0	-14,50	0,00	0
US Aggregate Bd JD*	US	10,61	10,61	0,230	-0,12	0,00	0
US Blue Chip Eq A*	US	13,89	13,89	0	6,30	0,00	0
US Lcap Core Eq.A*	US	11,53	11,53	0	13,69	0,00	
US Lcap Core Eq.I*	US	11,63	11,63	0	14,03	0,00	
US Lcap Gr Eq A*	US	11,54	11,54	0	9,75	0,00	0
US Lcap Gr Eq I*	US	12,94	12,94	0	12,82	0,00	0
US LcapGrwth Eq.J*	US	9,10	9,10	0	-11,48	0,00	0
US Lcap Value Eq A*	US	13,60	13,60	0	6,45	0,00	0
US Lcap Value Eq I*	US	11,73	11,73	0	6,00	0,00	0
US Lcap Value Eq J*	US	7,89	7,89	0	-31,17	0,00	0
US Lcap Value Eq S*	US	12,88	12,88	0	21,76	0,00	
US Sm Company Eq A*	US	14,91	14,91	0	22,24	0,00	0

Class A USD*	US	-	89,23	0	-10,02	0,00
Class I EUR*	EU	-	72,46	0	-9,19	0,00
Class I USD*	US	-	90,65	0	-9,19	0,00

WWK Investment

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WWK Roll-Protect*	EU	10,56	10,15	0,160	-6,21	0,00
	0					
WWK Sel-Balance*	EU	10,64	10,13	0,110	13,68	0,00
	0					
WWK Sel-Chance*	EU	8,67	8,26	0,020	14,48	0,00
	0					
WWK Sel-EuRe B*	EU	10,29	9,99	0,060	0,00	0,00
WWK Sel-EuRe CII*	EU	9,99	9,99	0,060	0,00	0,00
WWK Sel-TopTen*	EU	7,34	6,99	0,090	3,33	0,00
	0					

HEDGEFOND

Société Générale Asset Management

Caxton Eq.ClassA1*	EU	-	945,25	0	-6,20	0,00
	0					
Highbr.STEEPUSClA1*	EU	-	1013,87	0	3,43	0,00
		0				
SGAM AI Alph GlbEq*	EU	1051,39	1051,39			

SONSTIGE FINANZPRODUKTE

apano
Hedgefonds

AP Garant 1*	EU	-	790,10		0,00	0,00
	0					
JPMo-Str.Indexzert.*	EU	-	0,76		0,00	0,00
	0					
Multi-StratIndz.II*	EU	-	0,65		0,00	0,00
	0					
Protect.IP220 I*	EU	-	1446,42			
Protect.IP220 II*	EU	-	1398,54			
Protect.IP220 III*	EU	-	1296,56			
Protect.IP220 IV*	EU	-	1460,45			
Protect.IP220 V*	EU	-	1222,81			
Protect.IP220 VI*	EU	-	1049,05			
	0					
ProtIP220 StratSE*	EU	-	1094,12			
	0					
ProtIP220 StratSE2*	EU	-	1102,64			
	0					

Varengold

VK1 Index-Zertifikat*	EU	-	102,53			
		0				

* Fondspreise etc. vom Vortag oder letzt verfügbar
ATE: Akkumulierte Thesaurierte Erträge ausländischer Fonds seit 1.1.1994 gemäß AIG
Aktiengewinn: Aktueller Aktiengewinn (Veräußerungsgewinn bei Investmentanteilen) in Prozent
Währungen: AU=Australischer Dollar, CH=Schweizer Franken, CA=Canadischer Dollar, DK=Dänische Krone, EU=Euro, GB=Brit. Pfund, JP=Japanische Yen, NO=Norwegische Krone, SE=Schwedische Krone, US=US-Dollar. Bei der ausschüttenden Tranche ist die Währung unterstrichen. Weitere Fondsinfos unter fondscontainer.vwd.de/vwd
ZWG: Zwischengewinn seit 1. Januar 2005 Alle Angaben ohne Gewähr

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US Sm Comp.A*	US	67,71	64,32	0	32,95	0,00	0,22
Seilern Glb.Tr.A*	EU	79,92	77,59	0,260	-4,53	0,00	0
Japan Index Equity*	JP	7191,35	7162,65	0	2,02	0,00	114,07
PF Green In.YieldA*	EU	107,71	102,58	2,230	-0,09	0,00	0
US Sm Company Eq I*	US	19,25	19,25	0	24,35	0,00	0

vwdgroup:

UPDATE 1-Stunned funds get scraps from Dow's plunge

Mon, May 10 2010

* Source says Coffey turned 1.5 pct profit on the week

* 'Long volatility' funds said to gain up to 10 pct

* Long-only managers avoided roller-coaster markets (Adds details of Conquest Capital fund)

By Laurence Fletcher

LONDON, May 10 (Reuters) - Hedge fund managers and their mainstream peers were left stunned by the dizzying declines on Wall Street last Thursday, but a select few turned a profit, diving in just in time with the right strategy.

The Dow Jones index of 30 blue chip stocks fell by close to 1,000 points on Thursday, a plunge that has left regulators and markets stumped. The finger of blame has pointed at flaws in the structure of markets and at high-frequency trading houses whose computer-driven programmes can make tens of thousands of trades a day. [ID:nN09274100]

But Greg Coffey, formerly of GLG Partners and now a star fund manager at Louis Bacon's hedge fund Moore Capital, made a profit of 1.5 percent last week, sources familiar with the matter said, using the sell-off as a trading opportunity.

The gain came as U.S. stocks ended the week about 6 percent lower, recovering from their steepest intraday fall ever.

New York-based hedge fund Conquest Capital's macro fund turned a 3.75 percent profit on Thursday, and ended the week up about 10 percent not including fees, a spokesman for the firm said.

Conquest Macro uses a systematic short-term trading strategy designed to outperform during periods of high volatility. Thursday's gains came from a combination of existing positions and new trades entered that day across fixed income, foreign exchange and equities.

"As part of the discretionary overlay, we had started accumulating a position in S&P puts in April before the rise in volatility that we hedged on Thursday by buying S&P futures at the depth of the sell-off and height of the madness," the spokesman said.

So-called 'long volatility' hedge funds -- which profit from market turbulence and are often used by investors to hedge their portfolios against big sell-offs -- also did well.

One such fund gained 10 percent last week, said Tim Gascoigne, head of portfolio management at HSBC Alternative Investments. Another manager told Reuters of a 4 percent gain from one fund on the Thursday alone.

"Where they see value in implied volatility in option pricing, they will take these opportunities," Gascoigne said.

'MOST GUYS WERE OK'

The heads of leading U.S. stock market operators were called to Washington for an emergency meeting on Monday, as the Securities and Exchange Commission attempts to unearth the reasons behind the spine-chilling plunge. [ID:nN09274100]

Hedge funds wasted time pondering the reasons for the glitch with money to be made -- or lost, of course.

"Some will (have been) rolling up their sleeves and trading the (hell) out of it, others are value-driven," and therefore less likely to act, said one London-based fund of hedge funds manager who declined to be named.

"From what I've seen so far, most guys were OK -- they lost 1 percent or made 1 percent."

However, other hedge funds chose not to risk big losses.

"It's not our style to do something in such high volatility," said one hedge fund executive who spoke on condition of anonymity. "Hedge fund managers will not necessarily want to get involved if they don't know why it happened."

They weren't the only ones.

The speed and surprise of Thursday's sell-off and rebound left most long-termist, mainstream fund managers shrugging their shoulders, and steering clear of the kind of aggressive trading that hedge funds can employ in such scenarios.

'I WAS ON THE TRAIN'

Tom Walker, whose Martin Currie North America and North American Alpha funds <LP60010491> <LP65095576> did better than most last week, said his portfolios remained unchanged through the tumult. He even left the office at his usual time while speculation raged in New York.

"I don't really have a strong view on the trading debacle I don't think we've got to the bottom of it yet We did nothing on Thursday "

"We didn't change anything we were doing -- we weren't trading at that time. I was on the train going home."

"It was so short ... If you were very nimble you might have done very well, but our strategy is to buy and hold. We don't tend to watch markets all day long."

"The reward for watching the screen all day long looking for that kind of opportunity is pretty limited. In hindsight it was a pretty good opportunity, but too short to take advantage of." (For the Funds Blog: blogs.reuters.com/fundshub; for Global Investing: here)
(Additional reporting by Joel Dimmock and Claire Milhench; Editing by Steve Orlofsky)

The 2009 Sciens Capital Award

for The Best Papers in *The Journal of Alternative Investments.*

The Journal of Alternative Investments is the premier refereed quarterly publication offering academic and practitioner research in alternative investments. The Sciens Capital Award recognizes the top two articles in JAI published over the past year and voted on by the journal's distinguished advisory board via a confidential ballot process. The 2009 Sciens Capital Award goes to the best articles picked from JAI's Winter 2009, Spring 2009, Summer 2009, and Fall 2009 issues.

The annual Sciens Capital Award is sponsored by Sciens Capital Management, a New York-based investment management firm specializing in global diversified alternative investments. The award consists of a $2,500 prize for each of the two award winning papers.

The Journal of Alternative Investments

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2009 Sciens Capital Award Winners:

Best Practitioner Article

Volatility Exposure of CTA Programs and Other Hedge Fund Strategies

Marc H. Malek and Sergei Dobrovolsky

SPRING 2009

Best Academic Article

Locking in the Profits or Putting It All on Black? *An Empirical Investigation into the Risk-Taking Behavior of Hedge Fund Managers*

Andrew Clare and Nick Motson

FALL 2009

Top Ten We have a surprise for you: the best global macro funds from a private bank's database.

Tuesday, August 11, 2009

We feature top managers from a different database every issue.

This time we have a lineup of global macro funds. They're ranked by annualized return since inception, as of the beginning of June 2009. The data comes from a private bank that's a long-time investor.

These are well-known global macro managers but many are also commodity trading advisors. Some started off as CTAs and diversified to discretionary macro.

Top Global Macro Funds from a Private Bank Database

Fund and Manager	Annual Return Since Inception	Inception Date
Tudor Global Paul Tudor Jones	22.1%	Oct. 1986
GAMUT Investments Bruce Kovner	20.7%	June 1986
Moore Global Investment Louis Bacon	20.5%	Dec. 1989
Brevan Howard Alan Howard	15.4%	Mar. 2003
Capital Fund Kenneth Windheim	15.3%	Dec. 1999
Peak Partners Timothy Rudderow	15%	Mar. 2002
Conquest Macro Mark Malek	**14.5%**	**Apr. 1999**
COMAC Global Macro Colm O'Shea	12.6%	May 2006
JB Global Rates Adrian Owens	11.8%	Jan.2004
Drawbridge Global Macro Michael Novogratz & Adam Levinson	9.1%	May 2002

Forbes.com

Reuters

US commodity trend funds find pensions elusive

02.25.09, 3:05 PM ET

UNITED STATES -By Barani Krishnan

NEW YORK (Reuters) - Trend-following fund managers in the United States aim to reel in bigger clients after placing winning bets on falling commodity prices, but conservative pension groups like Calpers and their advisers said on Wednesday they aren't biting.

High management fees of up to 6 percent a year and another 20 percent on profit is one reason why such fund managers -- who buy when markets are up and sell when they are down -- are disliked by those advising pensions, endowments and other institutional funds.

Another thing working against these trend-followers is historical data showing positive returns for passive "long-only" investors in commodities, who buy and hold futures over extensive time periods regardless of market swings.

Trend-following fund managers -- also known as Commodity Trading Advisers or managed futures funds -- are active money managers who will abort a long, or bullish position, for a short, or bearish bet, just to capture market momentum.

These fund managers trade in financial futures like bonds, stock indexes and currencies, apart from energy, metals and agricultural futures. Their clients are often retail investors who put between $1 million and $5 million in trend-following accounts.

"If you're talking about commodities exposure for institutions, our approach would be really something very broad-based and passive," said Michael Schlachter, managing director at Wilshire Associates, a global investment advisory which advises Calpers.

"The actively managed portfolios charge ridiculous fees for commodity assets. Who wants to pay a 6 percent base fee when the active manager may also be long commodities most of the time, something the client can do passively?"

Calpers, or the California Public Employees' Retirement System, is the largest U.S. pensions fund, with total assets of $170 billion. It had $1.1 billion passively invested in the S&P GSCI, a long-only commodity index, in June, before a crash in oil, metals and grains prices took the value of that down to $586 million by the end of last year.

In December, Calpers said it had appointed three commodities consultants, including Wilshire, to boost its inflation-linked asset class, which lost 3 percent in 2008. Calpers told Reuters then that it was open to exploring commodities exposure outside of the S&P GSCI, including long/short strategies that helped some trend-following funds post returns up to 75 percent last year.

But Calpers spokesman Clark McKinley told Reuters the fund was not evaluating any trend-following commodity strategies. "We are still tracking this index," he said, referring to the S&P GSCI.

Schlachter, the Wilshire managing director, declined to discuss Calpers or any particular client. But he said Wilshire had the same advice to all institutions invested in commodities for diversification: Do not chase short-term trends.

And while the firm was not in the habit of forecasting market direction, Schlachter said: "I'd be shocked if commodity prices didn't rebound very, very rapidly to levels we saw last year, once we get back into a strong economy."

Ben Rotenberg, director at California's Cliffwater LLC, another Calpers consultant, said although long-only commodity indexes had plummeted in value since June, there was no certainty they had lost their sway with clients.

"I don't know if that's necessarily the case. I think its more of the asset class as a whole that's suffered," he said.

Still, some trend-following managers are hopeful of stealing some market share from long-only indexes that have monopolized the institutional business in commodities.

"We've met dozens of new potential clients, from state retirement systems to university endowments and family offices, and we've had very encouraging response," said Marc Malek at Conquest Capital, a managed futures firm in New York whose two trend following funds returned 45 and 52 percent last year. (Editing by Marguerita Choy)

February 10th, 2009

From the Opalesque Team: CTA and macro hedge funds were among the winners in 2008. Here is a look at two macro funds and their forecasts.

Conquest: Look out for China - Conquest Capital Group`s Conquest Macro fund up 45% in 2008

The $337m Conquest Macro fund began 2009 by earning 6.20%, after returning 45.02% in 2008. It has had a compounded annual return of 15.11% since its May-99 inception, compared to 6.85% for the HFRI Composite Index and -3.17% for the S&P500.

New York-based Conquest Capital Group's Conquest Macro fund is a systematic trading strategy that captures short-term price movements in futures and FX markets. The program itself consists of three independent strategies: a short-term long-volatility strategy, a short-term trend-following strategy, and a short-term counter-trend strategy. These three strategies operate in parallel to invest in approximately 30 of the most liquid global foreign exchange, fixed income, equity, and physical commodity markets.

Regarding the broader economy, the manager Marc H. Malek said in a monthly report that was forwarded to Opalesque, that it was embroiled in two simultaneous crises: a credit crunch and a business cycle recession. He believed that the government's measures would help eventually, but there were still major global risks to address.

After ten to fifteen years of intense globalization, the world is encountering its first global recession, he said. The multiplier from global trade that was so good to world economies during the period of expansion is now dragging the world economy down just as aggressively.

Investors have sought the BRIC countries as the standard-bearers of growth to lead the world out of its global recession. Brazil's output is declining and the Russian Ruble continues to devalue, pushing toward the lower bound of its trading range. Although India's economy continues to grow at a rapid rate, the growth rate has declined significantly over the past two years.

The manager believes the real risk lies in the possibility that the Chinese economy might surprise to the downside with very small (i.e. 1-2%) or even negative growth. This negative growth scenario is a low probability event, but the effect would be devastating were it to transpire. He added: "We normally have a tendency to ignore events with low probability. However, when a low probability event would beget ruin it is essential that we account for it."

DOW JONES
FINANCIAL NEWS Online

SemperMacro posts return of 50%

Mark Cobley
19 Jan 2009

SemperMacro, a hedge fund spun out of Fulcrum, the boutique of former BBC chairman Gavyn Davies in 2007, posted gains of more than 50% last year as global macro proved one of the few strategies to weather the downturn.

SemperMacro Capital, which is run by the former Goldman Sachs trader Christian Siva-Jothy, went through a bad patch in 2006 when investors pulled money following investment losses of 15.7%. The following year, Siva-Jothy and three colleagues – all former Goldman traders – spun it off as an independent venture and since then the fund has redeemed itself.

Some other global macro funds performed similarly strongly. The Conquest Macro fund, a New York-based quantitative fund run by Marc Malek, was up 45% during the 12 months, while Brevan Howard's flagship fund was up 21%, according to investors.

SemperMacro declined to comment, and Brevan Howard did not respond to requests for comment.
Malek said: "The mandate of our fund is to achieve above-average returns in periods of high volatility, and to preserve capital in periods of low volatility, so we have performed in line with our objective."

Not all global macro funds have done so well, according to Alex Allen, chief investment officer at Eddington Capital, which runs a $100m (€75m) fund of macro funds. While some posted double-digit gains, others following related but different strategies made losses of a similar magnitude, he said.

Eddington's portfolio was up 25% last year. Though it does not invest in any of the funds named above, it has money with other global macro managers, which tend to make three or four large bets on currencies or national markets and put large sums behind them.

Eddington also invests in other macro strategies, such as managed futures or currencies.

The macro index from Hedge Fund Research, a data provider, made a gain of 5.2% in the last 12 months – one of the few to make money last year. Managed futures funds, a subset of the macro index, did even better, rising 17.7% last year.

15.01.2009 Opalesque Exclusive: Equity market recovery? Analysis of past recoveries shows up to 19% of growth was captured within first month

From Kirsten Bischoff, Opalesque New York : In a 2008 year end communication to investors obtained by Opalesque, The Conquest Capital Group, which returned +45% (Macro) and +51.40% (Managed Futures Select) in 2008, stated expectations for the bear market to continue in equities for some time.

For the firm's macro strategy, rising volatility, and the rising volatility of volatility throughout the year provided favorable environment. The strategy's biggest gains in 2008 came from foreign exchange trading (+22.97%) and equities (+17.72%).

Looking toward the 2009 environment, and citing the US government's foray into the nation's banking, insurance, and automotive arenas; rising unemployment rate; continued corporate cash holding and other variables, Managing Partner Marc Malek's letter stated that the firm did not believe that equities had reached a bottom. However, the letter also indicated that although we might be bumping somewhere along the bottom, the ultimate bottom would be far from the low set in November.

Optimism in pessimistic times, in past recoveries up to +19% has been captured in first 30 days

Warren Buffett informed the US Markets, via the New York Times in October 2008, that it was time to buy equities, and hedge fund manager Michael Steinhardt told Reuters in late December that cyclically it was a good time to purchase equities.

Although equities had several bear rallies between October and December 2008, the markets have stayed within a fixed range and well below showing signs of recovery.

In the January release of its first "Maximum Pessimism Report", Tennessee-based value investors Lauren Templeton Capital Management looked at the history of bear markets. The 2007 market decline from October 2007 to the present has passed -50% which puts it on a par with all but the worst bear market (1929 at – 86%).

Templeton makes the case for current equity opportunities by also charting the S&P 500 returns following bear market troughs. On average, the 6-month growth (following the bear markets of 1957, 1962, 1966, 1970, 1974, 1982, 1987, 1990, 2002) is +23%. However, on average almost 11% of that growth was captured during the first month, with 19% and 17% being captured in the first months during the 1982 and 1974 recoveries.

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Opalesque Round Table

Hedge Funds at Inflexion Point:

The whole financial industry has reached an **inflexion point**, at which all market participants are challenged to identify the new themes and new paradigms that will determine asset management and how to create returns going forward.

The **Opalesque South Africa Roundtable** discusses the range and consequences of this inflexion point, from a fund manager as well from an investor point of view.

The participants also discussed the particularities of **investing in Africa** (ex-South Africa). You will hear portfolio managers explaining new ways to construct hedges, new and upcoming products. How do you deal with restricted liquidity, is Africa really uncorrelated?

With 28 pages, this is one of our larger

Managed Futures and REITs

July 24th, 2007 by **Mebane Faber**

First, a fantastic review of hedge fund replication from Conquest Capital. Here is an interview with Marc H. Malek, Managing Partner at Conquest Capital. From the interview:

In our study, we found that most CTAs exhibit a very high correlation (70-90%) to one or more simple breakout strategies consisting of trading a diversified group of markets by buying at the nth day high and selling at the nth day low. We chose 33 different breakout lengths, ranging from 1 to 200 days. Each of these breakout lengths was run as an "nth day" simple breakout strategy on Conquest MFS' 55 markets.

The result is a historical track record for each of the breakout lengths. Our study plots the correlation between a CTA's monthly return stream and the return stream of each of the breakout lengths. We have found that most of the CTAs we tested have a very high correlation to breakout lengths between 30 and 60 days.

This means that what most CTAs are delivering is in part a beta; an exotic beta, but not alpha. Further studies showed that CTAs were not generally delivering alpha in excess of the exotic beta. In other words, CTAs as a group were not outperforming the exotic beta they delivered. For an investor, therefore, investing in the exotic beta directly would generally be a better strategy than investing in a portfolio of CTAs that would purport to deliver alpha.

Second, REITs (IYR below) are in a 20% drawdown from their peak five months ago, and this sure is a nasty chart. . .

November 10, 2008

What Crisis? Some Hedge Funds Are Gaining

By LOUISE STORY

Bernard V. Drury is a rarity on Wall Street: a hedge fund manager who is making money rather than losing it.

While most hedge funds are sinking into red this year and unsettling the markets in the process, a handful of them are posting spectacular gains. Mr. Drury's fund, for instance, is up 60 percent since Jan. 1.

How did he do it? Mr. Drury, a former grain trader, is not giving away his secrets. He relies on proprietary computer models to chart tides in the markets and to ride the prevailing currents.

But however smart or lucky the moneymakers have been, a few bad trades can end any hot streak. Despite Wall Street's reputation as a place of big money and bigger egos, many of the winners are reluctant to boast, particularly given the gaping losses threatening some rivals.

"There's going to be, naturally, a lot of forms of disillusionment with hedge funds," said Mr. Drury, who opened his fund, Drury Capital, in 1992.

Indeed, gloomy talk of an industry shakeout is getting louder as returns at most funds sink lower. Over the last few months, some funds have been forced to dump stocks and bonds because their investors want their money back. Wall Street traders worry that another big wave of withdrawals in mid-November could further unsettle the markets.

All of which makes the big winners stand out even more. Hedge fund returns, on average, are down 20 percent. But one in every 50 funds is up more than 30 percent — an astonishing performance, considering the broad stock market is down even more than that.

Winners include trend-followers like Mr. Drury; market-spanning macro funds, which dart in and out of an array of markets and bet on everything from Apple Inc. to zinc; and niche players that are buying insurance policies or making loans to small companies.

Some of this year's stars are familiar names on Wall Street. For instance, a fund managed by

John Paulson, who reportedly was paid $3.7 billion in 2007 after betting against the subprime mortgage market, has gained nearly 30 percent this year in his largest fund, investors say.

But some of the other moneymakers are not well known, and could benefit as competitors close and investors look for new places to park their money. Hedge-fund traders who make a killing are often lionized within the industry. One good year can vault a small player to the big leagues.

But with so many funds down — only one in three has made any money this year — the price of admission to the winner's circle has fallen. A showing that would have been considered dismal only a year ago is now viewed as a standout success. Traders even joke that down 10 percent is the new break-even. Actually making money is all the more rare.

"This year, anything north of 10 percent is spectacular," said Pierre Villeneuve, managing director of the Mapleridge Capital Corporation, a $750 million hedge fund in Canada that is up 18 percent.

Other funds with big winnings include R. G. Niederhoffer Capital Management; Conquest Capital Group; MKP Capital Management; the Tulip Trend Fund, run by Progressive Capital; and funds run by John W. Henry & Company.

Never before have so many funds been down. In 5 of the last 10 years, fewer than 15 percent of hedge funds lost money. Even in the worst year, 2002, 31 percent finished down, according to estimates from HedgeFund.net, a unit of Channel Capital Group. This year, some 70 percent of hedge funds had lost money from Jan. 1 through the end of September.

To a degree, hedge funds are hostage to their stated investment strategies, and investors judge them accordingly. Funds that specialize in convertible bonds and stocks, for example, are among the worst performers this year because those markets have been hard hit in the financial crisis.

Losers include well-known traders like Kenneth C. Griffin, who runs the Citadel Investment Group; Lee S. Ainslie, head of Maverick Capital; and David Einhorn, the head of Greenlight Capital, who called attention to the troubles at Lehman Brothers before many others.

Still, funds that specialize in investment strategies that have suffered could come out looking good if they manage to post even modest gains. For instance, Exis Capital, a $150 million fund that trades stocks, is up 9 percent this year, even after the fund's manager took their 50 percent fee, according to investors. The average stock fund, by comparison, is down 22 percent, according to estimates from Hedge Fund Research. In commodities trading, Touradji Capital

Management is up 11 percent even as its competitor, Ospraie Management, was forced to liquidate a large fund.

At some hedge fund companies, this year's performance is mixed. Trafalgar, a hedge fund in London, manages 10 funds. Three are down, but two — a volatility fund, and "special situations" fund — are up more than 20 percent, according to an investor.

Trafalgar declined to say what special situations it had pounced on. Volatility funds, a category that is broadly doing well, focus on trading options and try to profit when the markets swing wildly as they have lately.

Lee Robinson, co-founder of Trafalgar Asset Managers, said his firm's success set it apart from competitors.

"Every investor is going to say, 'What did you do in September '08, what did you do in October '08?' and if you were down significantly, you're going to have trouble raising money," Mr. Robinson said. "The most important question is not, 'How much money am I getting back?' it's 'Do I get my money back?' "

Several managers who are doing well did not want to brag at a time when so many of their industry colleagues were struggling.

"You don't do victory laps," said Adam Stern, a partner at AM Investment Partners, whose volatility fund is up 6.75 percent this year. "It's a very sad time for a lot of people. People worked very hard, and they're losing a lot of money and net worth."

Marek Fludzinski, one of this year's winners, remembers what it was like to be a loser. Mr. Fludzinski, the chief executive of Thales Fund Management, was among the computer-loving quantitative fund managers who suffered in 2007, when his fund lost 8 percent. Investors immediately began asking for their money back, so Mr. Fludzinski shut the $1.6 billion fund and started anew.

Now his computer-driven fund, created in May, has grown to $350 million from $80 million in assets and is up 14 percent.

Mr. Fludzinski said the important factor in running a hedge fund these days was simply surviving.

"Don't do something that will kill you," said Mr. Fludzinski, who uses a database with 14 years of prices on thousands of stocks to try to spot patterns like the forced selling of stocks.

Marc H. Malek, a former UBS trader who manages $611 million, is up 44 percent in his macro fund. But even as new investors approach his company, Conquest Capital, the firm is also receiving redemption requests from investors who want their money back, Mr. Malek said. Investors are pulling cash from wherever they can.

A growing number of troubled hedge funds are temporarily refusing to give investors their money back by freezing their funds, in industry parlance. But others are profiting from the waves of panic that have convulsed the markets this year.

Roy Niederhoffer, founder of R. G. Niederhoffer Capital Management, whose more famous brother, Victor, made and then lost a fortune trading, is up more than 50 percent. To predict how investors will behave, Roy Niederhoffer, who majored in neuroscience at Harvard, delves into psychological research.

But Mr. Niederhoffer does not need much research to tell him that some investors chase winners. With his fund soaring, investors are piling on. His assets under management have climbed to $2 billion, from $700 million earlier this year.

Still, Mr. Niederhoffer is not planning any celebrations.

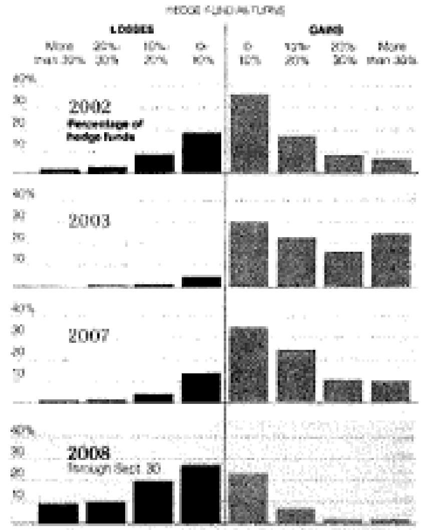
“The greatest danger at a time like this is hubris,” he said. He has banned fist-pumping victory poses on his trading floor.

ROBERT CAPLIN FOR THE NEW YORK TIMES

Marek Fludzinski, above, of Thales Fund Management created a fund in May that has grown to $350 million. Marc H. Malek, right, of Conquest Capital, oversees a macro fund that is up 44 percent.

MARILYNN K. YEE/THE NEW YORK TIMES

more insulated from losses. But this year nearly 70 percent have lost money — a worse performance than in 2002, the previous low, and much worse than in a good year like 2003, or last year.



Source: Channel Capital Group, a unit of HedgeFund.net — THE NEW YORK TIMES

What Crisis? Some Hedge Funds Are Doing Quite Well

From First Business Page

for new places to park their money. Hedge-fund traders who make a killing are often lionized within the industry. One good year can vault a small player to the big leagues.

But with so many funds down — only one in three has made any money this year — the price of admission to the winner's circle has fallen. A showing that would have been considered dismal only a year ago is now viewed as a standout success. Traders even joke that down 10 percent is the new break-even. Actually making money is all the more rare.

"This year, anything north of 10 percent is spectacular," said Pierre Villeneuve, managing director of the Mapleridge Capital Corporation, a $750 million hedge fund in Canada that is up 18 percent.

Other funds with big winnings include R.G. Niederhoffer Capital Management; Conquest Capital Group; NWP Capital Management; the Tulip Trend Fund, run by Progressive Capital; and funds run by John W. Henry & finished down, according to estimates from HedgeFund.net, a unit of Channel Capital Group. This year, some 70 percent of hedge funds had lost money from Jan. 1 through the end of September.

To a degree, hedge funds are hostage to their stated investment strategies, and investors judge them accordingly. Funds that specialize in convertible bonds and stocks, for example, are among the worst performers this year because those markets have been hard hit in the financial crisis.

Losers include well-known traders like Kenneth C. Griffin, who runs the Citadel Investment Group, Lee S. Ainslie, head of Maverick Capital; and David Einhorn, the head of Greenlight Capital, who called attention to the troubles at Lehman Brothers before many others.

Still, funds that specialize in investment strategies that have suffered could come out looking good if they manage to post even modest gains. For instance, Ezra Capital, a $150 million fund that trades stocks, is up 8 percent this year, even after the fund's man- Sectrali Capital Management is up 11 percent even as its competitor, Ospraie Management, was forced to liquidate a large fund.

At some hedge fund companies, this year's performance is mixed. Trafalgar, a hedge fund in London, manages 10 funds. Three are down, but two — a volatility fund, and "special situations" fund — are up more than 20 percent, according to an investor.

Trafalgar declined to say what

Some managers are thriving, but they're keeping their heads down anyway.

special situations it had pounced on. Volatility funds, a category that is broadly doing well, focus on trading options and try to profit when the markets swing wildly as they have lately.

Lee Robinson, co-founder of Trafalgar Asset Managers, said scantly, you're going to have trouble raising money," Mr. Robinson said. "The most important question is not, 'How much money am I getting back?' it's 'Do I get my money back?'"

Several managers who are doing well did not want to brag at a time when so many of their industry colleagues were struggling.

"You don't do victory laps," said Adam Stern, a partner at AM Investment Partners, whose volatility fund is up 6.75 percent this year. "It's a very sad time for a lot of people. People worked very hard, and they're losing a lot of money and net worth."

Marek Fludzinski, one of this year's winners, remembers what it was like to be a loser. Mr. Fludzinski, the chief executive of Thales Fund Management, was among the computer-loving quantitative fund managers who suffered in 2007, when his fund lost 8 percent. Investors immediately began asking for their money back, so Mr. Fludzinski shut the $2.6 billion fund and started anew.

Now his computer-driven fund, created in May, has grown to

"Don't do something that will kill you," said Mr. Fludzinski, who uses a database with 18 years of prices on thousands of stocks to try to spot patterns like the forced selling of stocks.

Marc H. Malek, a former UBS trader who manages $811 million, is up 44 percent in his macro fund. But even as new investors approach his company, Conquest Capital, the firm is also receiving redemption requests from investors who want their money back, Mr. Malek said. Investors are pulling cash from wherever they can.

A growing number of troubled hedge funds are temporarily refusing to give investors their money back by freezing their agement, whose more famous brother, Victor, made and then lost a fortune trading, is up more than 50 percent. To predict how investors will behave, Roy Niederhoffer, who majored in neuroscience at Harvard, delves into psychological research.

But Mr. Niederhoffer does not need much research to tell him that some investors chase winners. With his fund soaring, investors are piling on. His assets under management have climbed to $1 billion, from $500 million earlier this year.

Still, Mr. Niederhoffer is not planning any celebrations.

"The greatest danger at a time like this is hubris," he said. His

09.07.2008 Performance: Opalesque Exclusive: Conquest Macro returned 8.14% in June, managed futures fund up 4.7%, agricultural fund up 13.2%, Man Group's AHL fund down 1.02% from last week, 22.9% over last 12 months, Altin:Fund returns 3.83% in June, 21.91% YTD

Opalesque Exclusive: Conquest Macro returned 8.14% in June, managed futures fund up 4.7%, agricultural fund up 13.2%
Conquest Macro returned 8.14% in June, concluding its fourth consecutive winning quarter having profited more than 67% over the past 12 months.

June marked a significant return to risk aversion after a brief period of post-Bear Stearns euphoria. Volatility rose dramatically, creating an environment in which Conquest Macro was able to profit.

Conquest Macro's gains came from its short-term long-volatility strategies, which generated the majority of their profits by taking short positions in domestic and European equity index futures. The returns from other sectors essentially washed, cumulatively amounting to a small loss. After the recent accumulation of risk, short-term trend-following strategies were positioned unfavorably. However, their losses were more than offset by counter-trend strategy profits, which did successfully capture the trend reversals.

Conquest Macro's returns and growth have also merited its inclusion in the AlternativeEdge Short-Term Traders Index. Comprised of 23 managers, the index captures the breadth of short-term strategies.

Conquest Managed Futures Select generated gains of 4.70% and extended its winning streak to five consecutive quarters. The Conquest KCM Agricultural Commodities Plus Fund appreciated by 13.20% and has now been profitable every quarter since its December 2007 inception.

Man Group' s AHL fund down 1.02% from last week, 22.9% over last 12 months
From Thomson IM: Man Group pie. said the net asset value of AHL Diversified Futures Ltd. at the close of business on July 7 was $38.85, down 1.02 percent from last week and up 22.9 percent over the last 12 months. Source

Altin:Fund returns 3.83% in June, 21.91% YTD
Altin Holdings LLC sent an email communication to Opalesque saying that the Altin:Fund returned 3.83% (est.) in June 2008, 33.17% (est.) since inception and 36.63% in the last 12 months. That is compared to Barclay CTA (6.96%}, Dow Jones IA (-14.4%), S&P 500 (-12.8%), NASDAQ (-13.5%), Russell 2000 (-10.0%). Corporate website:

Article source: http://www.altinfund.com - Opalesque is not responsible for the content of external internet sites

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Section: Managed Futures & Derivatives

Conquest Capital Enjoys Profitable First Half

By Michael S. Fischer, Senior Financial Correspondent
Wednesday , July 09, 2008 3:49:45 PM ET

NEW YORK (HedgeWorld.com)- Conquest Capital Group's managed futures programs experienced strong performance in June, resulting in a successful first half for the firm. The firm's total assets under management grew by 43% since the beginning of the year, to $632 million.

Conquest's flagship Macro program, which started trading in May 1999, finished the first half up 26.6% after returning 8.1% in June: it has a compound annualized return of 13.7%. In his letter to investors, Chief Investment Officer Mark H. Malek wrote that most of Macro's gains in June came from its short-term, long-volatility strategies, which took short positions in U.S. and European equity index futures. The program also realized a small gain in foreign exchange. However, the program's positions in energies, fixed Income and metals resulted in a small loss.

Mr. Malek wrote that Macro's short-term, trend-following strategies were positioned unfavorably and resulted in losses, but these were nicely offset by profits from the program's counter-trend strategy, which successfully captured the trend reversals.

Conquest Managed Futures Select, which began trading client capital in June 2004, was up 4.7% in June and was up 16.3% for the year. The program has a compound annualized return of 13.9%. According to Mr. Malek, the program achieved 75% of its profits in June through physical commodity trading. It also made significant gains from the equity sell-off across all trade horizons. It incurred a loss in foreign exchange, with short-term trend reversals and directionless movement hampering performance of the program's short-term system.

Mr. Malek gave two reasons for the profitability of the MFS program's long-term and medium-term trend-following strategies. First, these strategies have more physical commodity exposure because several of the physical commodities are too illiquid to be traded by short-term strategies. Second, the rise in agricultural commodity and energy prices and the decline in equity prices are continuations of a trend that has been dominant for some time.

Among Conquest's other programs, FX Only gained 0.6% in June, and is up 8.9% for the year. Conquest Custom Factor MFS Strategy 1 and Strategy 2 gained 4.1% and 2.3%, respectively, for year-to-date returns of 14% and 5.7%.

Conquest's KCM Agricultural Commodities Plus Fund, which opened in December 2007 Previous HedgeWorld Story, enjoyed a big gain of 13.2% in June, which brought its year-to-date return *to* 12.4%.

However, the brand-new Conquest Carry/Macro Blend is still getting its bearings Previous HedgeWorld Story. It lost nine basis points in June, and is down 1.5% since it began trading in April.

MFischer@HedgeWorld.com

The Americas

Conversus Seeks More Secondary Deals

Conversus Capital Management hopes to spend $100 million buying more secondary funds this year. The $2.2 billion private equity fund of funds firm has already completed three secondary transactions so far this year, including the acquisition of a portfolio of private equity funds from **California Public Employees Retirement System** for $183 million. The other two secondary funds were a small venture fund and a European buyout fund, said CEO **Bob Long.** Together, they were purchased for $15-20 million.

Long said he believes the secondary marker presents great opportunities right now and purchasing secondary funds allows Conversus to tweak its portfolio. The fund is seeking to increase its distressed, European and Asian exposure. More than half of the CalPERS portfolio was distressed, Long said, bringing Conversus' distressed exposure co 5% from l %. Conversus aims to grow ir to 10% this year. The firm invests in I 15 managers overseeing 200 funds.

Conquest Shorts Dollar, Up 24% In 01

Marr Malek

Conquest Capital Group, the $600 million hedge fund firm founded by Marc Malek, is up 24% in its *Conquest Macro Fund* through April 30, primarily due to shorting the U.S. dollar. "In April we weathered the storm in a lot of these markers by being very short-term oriented," Malek said. The fund trades global currencies, fixed-income, government bonds and equity indices, with a small allocation to energy and metal futures. Each trade has a duration of four or five days. Conquest believes the markets are entering stagflation - when inflation and a recession occur simultaneously. "That would be very problematic for the economy," Malek said. "It becomes much more difficult for the central bank to deal with the slowdown chat we're seeing in the economy." The firm's funds tend to generate decent returns when other hedge funds and equities are losing a lot of money. "That's by design," Malek said. "We try to profit from volatility in the marker."

The macro fund has $230 million in assets with a capacity of $1 billion. Malek is speaking with pensions, foundations, endowments, family offices, funds of hedge funds and high-net-worth individuals. Conquest is preparing to launch a quantitative strategy to replicate returns of a long/short hedge fund, following an earlier managed futures strategy that emulated commodity trading advisors (*iialternatives.com*, April 16).

In addition, the firm hired **Tambe Barsbay** as a quantitative analyst. Barsbay started last Wednesday and will focus on the macro fund. Until recently he was at **Georgetown University,** where he received his Masters in mathemacics and statistics.

Ex-Oaktree Analyst Joins Pacificor

Scott Seymour, former credit analyst at **Oaktree Capital** Management, has joined Pacificor in Los Angeles in the same capacity, reporting co ClO Andrew Mitchell.

Seymour focuses on the stressed, distressed debt and special situations space for the firm's *Pacificor I* and *II* funds , and its offshore version, said **Kurt Benjamin,** v.p. of business development. "Bank debt looks interactive and we see corporate defaults rising significantly into 2009," he said, adding that there are tremendous opportunities in the space.

At Oaktree, Seymour worked on the firm's credit hedge fund, primarily researching high yield and distressed investments, and before that, he worked on the distressed team at **SAB Capital Management.** Before graduate school, he was an officer and helicopter pilot in the **U.S. Army.**

Pacificor is raising assets and is speaking with pensions endowments and funds of hedge funds as it seeks to increase assets to $1 bil on from $450 million in the upcoming months, Benjamin said. It was founded in 1995 and also has an office in Santa Barbara.

Crestridge, Magnum Launch Offshore Fund

Crestridge Capital Management has teamed up wirh **Magnum Funds** to launch an offshore version of *Crestridge Va/idus Fund ll*, a lo ng/short fund rhar invests in leveraged exchange-traded funds, or "ult ra" ETFs, as well as stocks. The *Crestridge Capital Long/Short Offihore Fund* launched last week, seeded by Magnum wirh $1 million , said Jason Allen, co-founder of Cresrridge. Crestridge's domest ic long/short fund was up 19% in the firsc four monrhs of 2008, which made che offshore version an amacrive endeavor, said **David Friedland,** president at Magnum. "It demonsrraced that the fund truly generates non-correlated retu rns," he added. Magnum's principals are South African and have significant contacts among non-U.S. investors, providing C restridgewich an investor base char it wouldn't otherwise have access to, said Alle n.

Magnum will p rovide back o ffice support and markecing while C restridge is rhc investment manager. Magnum will receive 35% of fees on money it brings in ro the fund and l 0%

Conqut11t Develop• US Hedge Fund Fund Replications

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Marc Mo1•k

Conquest Capital Group's developing a quantitative strategy to replicate returns of long/short equity hedge funds. This follows an earlier managed futures strategy that emulates commodity trading advisors. The new approach will go long and short US equities, just as hedge funds do, using a systematic process and charging lower fees, said Marc Malek, managing partner

Conquest's managed futures strategy as exhibited 87-90% correlation to the Barclay Hedges Newedge CTA Index on a daily and monthly basis during its four year track record. It is transparent and charges a 1% management fee with no performance fees. It was up 10.42% for the first quarter versus 5.61% for the Newedge index. It was created in 2004 for an Ivy League endowment

Additionally, the firm developed an approach combining carry trades, which lend to be short volatility, with macro trades that are long volatility, to produce a better risk/return profile. It started managing the strategy April 1 for one client

In December, Conquest designed an agricultural commodities strategy to hedge against the risk of stagflation. It was up 8.29% for Q1 despite losses of 12.25% in March. The Dow Jones•AIG Agriculture Sub-Index returned 4.01% for Q1

Separtaly the firm's flagship macro strategy is up 60.07% since June without leverage and abou1 300% with leverage. The unlevered version returned 22 15%in 01 it performed well by going short equity via options and futures. shorting the dollar going long energy, precious metals and some bonds, Malek explained

Malek Is In advance talks with several prospective investors, including funds of funds.family offices. large macro hedge funds and multi-strategy shops. The firm's assets have grown by 54% since last June to S569mmion from investment returns, new in flows. and slrategy launches .

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Conquest Creates New Hybrid Program

By Jacob Bunge, Financial Correspondent
Friday, Ap 18,2008

NEW YORK (HedgeWorld.com)-Managed futures firm Conquest Capital Group earlier this month launched a new trading program that fuses two of the firm's existing strategies and aims to profit in markets both volatile and calm, according to Managing Partner Mark H. Malek.

Named Conquest Carry/Macro Blend, the new program combines the Conquest Macro FX Only strategy with the firm's Carry Capture strategy. The former component is the currency-specific portion of Conquest's $213 million Macro vehicle, focusing on high-liquidity currency pairs trading and managing $20 million as a stand-alone fund; the latter component is an older program focused on currency pairs that are less frequently traded.

Both the Carry and Macro FX Only programs have traded separately since December 2005, according to Conquest, and in that time they have shown a negative 5% correlation. The idea behind creating a hybrid program was to deliver better risk-adjusted performance across a variety of market conditions.

"With Macro, basically the strategy tends to be similar to a long-volatility strategy, whereas the carry strategy tends to be much less so," said Mr. Malek. "So when we put them together, the lack of correlation between the two strategies, while both have positive expectancy, it makes a good combination."

The trading done by Conquest Carry/Macro Blend is 100% systematic, and currently the hybrid program is weighted slightly in favor of the macro component, although this weighting is somewhat discretionary. Weighting decisions are based on signals from the Conquest Risk Aversion Index, which determines whether the current environment qualifies as risk-seeking or risk averse. At present, Mr. Malek said, the firm is anticipating a risk-averse environment, a condition he said will probably last for some time. The weighting of the program also takes into account general foreign exchange market factors.

"We hope that it will do well under most market conditions," said Mr. Malek. "When volatility is going up, we expect Macro to pick up the slack and generate a lot of the returns. When volatility is going down, and things are much slower, we expect the Carry component to do really well. Looking at the returns of the strategy, both actual and hypothetical it's a very even distribution of returns."

One of Conquest's bank clients seeded the Carry/Macro Blend program with $5 million to establish a track record, and the program launched April 1 after a relatively short development period. The program is targeted at institutions like banks, funds of hedge funds and family offices, and Mr. Malek noted that currently it is offered only through managed accounts. This will change as it builds a track record, he said, and a fund will eventually be built around it.

Planned Program and Q1 Performance

Mr. Malek also shed light on a new program Conquest is devising, a long/short equity vehicle that aims to deliver what he terms "alternativebeta." Many hedge funds, he said, do not deliver enough alpha to justify their 2-and-20 fee structure, and the investor ends up paying a high price for returns that aren't much above the rest of the market, if at all.

In 2004, Conquest tested this theory on the trend-following CTA industry, launching a fund that distributes its positions evenly across different futures markets and across different time frames, while charging a 1% management fee and no incentive fee. This fund, Conquest Managed Futures Select, now manages approximately $142 million and has returned 33.3% since inception.

"There are a few overriding factors that determine the returns of a CTA, and those are the time frames you're trading and what market mix you have," said **Mr.** Malek. "From most of our analyses, if you set those factors straight and analyze the performance of the trend-following CTAs out there, you see little difference in terms of their models." Most of the factor bets made by CTAs are cyclical in nature, meaning that while one CTA may be up and another down at one point, in time their positions may reverse due to revolving market trends.

Over time, Mr. Malek said, the Conquest MFS vehicle has bested most CTA indexes on a risk-adjusted basis, while maintaining an 87% to 90% correlation to those indexes and a volatility of 11% to 12%. He said he sees no reason why the program's approach should not work with hedge fund strategies as well.

The mechanical trading rules-based system that powers MFS makes it more nimble than other products that try to replicate hedge fund performance, according to Mr. Malek. Factor models, which seek to replicate an index by duplicating its risk exposures, have difficulty capturing the uniqueness of various hedge fund strategies, whereas the "FundCreator" method of replication, devised by Harry Kat at City University's Cass Business School in London, carries too many uncertainties and not enough transparency.

At the end of March, Conquest's $213 million Macro program was up 22.2% for the year, with much of the program's 4.1% return in March coming from short-term, long- volatility bets, as well as currency positions. The $142 million MFS program returned 10.4% over the first quarter, taking a 1.9% drawdown in March due to losses in agriculture and base metal trades. The FX Only program was up 15.4% at the end of the quarter.

Harder hit by commodities losses was the Conquest KCM Agricultural Commodities Plus Fund, which launched in December and was up about 25% year-to-date by late February **Previous HedgeWorld Story**. Despite a 12.3% loss in March, the program remained up 8.3% for the year as of March 31, with about $93 million under management.

"March was a tough month," said Mr. Malek. "But that was somewhat expected after the month we had in February, when it was up so much. I can't say that we saw the extent of what happened in March coming, but in February, we saw that some of those moves were going totally parabolic, and a pullback would totally be I order. As a result, we lowered the leverage on the strategy in February, and that helped a little bit in March."

Conquest, established in 2001, manages a total of $569 million.

JBunge@HedgeWorld.com

Conquest Ramps Up Portfolio With New Offerings

New York-based **Conquest Capital Group,** a $569 million managed futures shop. is building out its lineup with a strategy launched this month and two others in the pipeline.

TheCarry/Macro Blend Strategy. which debuted this month. is a mix of the global macro foreign exchange portion of the firm's Macro Fund with the older Conquest Carry strategy.

”We noted that. by basically combining the carry strategy with the foreign exchange portion of the Conquest Macro strategy. we can have a much better risk-adjusted return profile”, said **Marc Malek,** managing partner.

According to Malek, each sub-strategy of Carry/Macro Blend trades its own set of developed market currencies. with the specific pairs traded determined by the strategy's liquidity requirements. The Macro FX component trades only the most liquid pairs among the G7 currencies, whereas the Carry component capitalizes on its reduced trade frequency to extract value by integrating selective Kiwi and Scandinavian exposure to enhance performance.

The strategy was seeded by a bank and launched with $5 million.

In addition. Malek said the firm is currently working on a systematic U.S. long/short equity strategy and an alpha extraction strategy. which will offer investors a chance to capture the alpha from trend following and not the beta.

Conquest currently manages the $213 million Macro Fund, the$142 million Managed FuturesSelect and the $93 million Agriculture Commodities Plus Fund. in addition to various other strategies in managed account formats. Last quarter. Conquest's three funds weathered the volatile market environment quite nicely returning 22. 1 5 %., I 0.42% and 8.29%, respectively.

Malek said the Macro Fund is intended to·show alpha in periods of volatility," not only because the environment has gotten better, but also as a result of changes that the firm made to the portfolio in March 2005.

Under The Hood: A/N's look inside hedge fund strategies

Calif. Start-Up Breaks Even On Long Energy Bets

Sacramento, Calif-based Stowe Partners, a hedge fund firm founded by a former geologist, has avoided the carnage caused by the credit crisis by taking long bets in oil service companies, refineries, natural gas, and water-related investments. The fund began trading on June 1, and through July 31 was able to break even with 0% returns.

Founder Michael Keenan admitted he was mildly disappointed with the returns. "Obviously, the desire is to be positive," he noted. But market conditions have been difficult. "It's a heck of a time to launch a fund [with] extreme volatility back and forth," he noted.

In addition, he has gone long transportation stocks, which he said are correlated to the oil sector. He is short the S&P 500 index, but was seeking to gain slight longer exposure as AIN went to press.

Keenan is surprised that two of the major commodities his fund invests in-gold and silver-are flat considering inflationary pressures. "I'm puzzled by it" he said. "[But] the market is what it is. It's not going down, but it's not really going up.

"

He has avoided leverage so far, since most of the "hedge funds in trouble are the ones that use leverage." Keenan runs the fund with parn1er Je remy Olen *(iiatlemari11e,.com.*4/20).

Long Vol Bets Pay Off For Conquest

New York's Conquest Capital Group returned 11.57% in its ma.cm strategy last month as volatile financial markets played into the firms hands. "The way we made our money was by being long volatility," said Marc Malek, managing partner.

Each of the fund's three sub-strategies-counter -trend, short-term, and trend-following-was profitable, with 90% of the returns coming from foreign exchange, fixed-income, and equity)' indices, according to the firm's letter to investors. Of these three sectors, foreign exchange was the most profitable, contributing 5.16%.

The firm has been accepting a major dislocation in world financial markets since at least February, when it told investors to expect "significant pressure" on equities, due to a mispricing of risk *(iialternatives.com*,3/9). But July's events we're just the beginning, Malek predicted. "As this sort of situation evolves. it's going to set in motion large movements in the market," he said.

WHAT THE SMART MONEY'S DOING

Conquest Capital Group

By Mack Frankfurter

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- Marc H. Malek -

Proctor Investment Managers' newest strategic partner is Conquest Capital Group, an alternative asset management firm with approximately $380 million under management. Conquest, which offers five investment vehicles specializing in the trading of futures and FX markets globally, is headed up by Marc H. Malek who is backed by a strong quantitative team.

A key driver in Proctor IM's decision to acquire a stake in Conquest had to do with its proprietary research in the area of managed futures and beta replication strategies. Simply stated, Conquest is on the cutting edge of exotic beta product development.

Hedge funds are in the business of selling 'alpha.' Increasingly, however, investors have been questioning the portion of hedge fund returns attributable to alpha. Taking that line of thinking, the next logical question is how to identify alpha if you don't have an appropriate beta against which to measure certain types of alternative trading strategies?

"That's really the heart of the problem; the 500 lbs gorilla in the room," says Malek, who started his career at Salomon Brothers and later joined UBS to become worldwide head of its Exotic FX Derivatives Group as well as Executive Director in charge of FX Proprietary Trading in Europe. "The whole notion of alpha is kind of funny. My checking account has alpha to my hedge fund, and vice versa… with positive expectancy, hopefully."

It started with Conquest being frequently asked by many of the fund-of-funds what their alpha is. "I ran a derivatives trading desk at banks; no one ever asked me about my alpha. So when I looked up the definition of alpha, it became very evident that you cannot intelligently talk about alpha if you don't have the right beta," says Malek.

With a mathematics degree from Reed College, an engineering and applied science degree from Caltech and a background in neural networks, Malek and team set about figuring out something that described their beta—in an effort to determine their alpha. When they applied it to the rest of the managed futures world, they

were surprised to see that it actually explained the returns of "virtually every single trend following CTA [commodity trading advisor] with the exception of a few," says Malek.

That research caught the attention of a major endowment at an Ivy League University, which was trying to get a foothold in the CTA space. They asked Conquest to build for them a beta program focused on managed futures trend following strategies. "There are various sides of CTAs," explained Malek, "the space is overwhelmingly made up of the trend followers, and then on the periphery you have a few people that do different things."

The idea of hedge fund replication is a hotly debated one in both academic and hedge fund circles, but the real action is in the rush to package these so-called "exotic beta" strategies. In the past year investment banks such as Goldman Sachs, JP Morgan and Merrill Lynch have also introduced programs designed to "replicate" hedge funds.

There are two questions provoking this new industry phenomenon. First, are supposedly skill-based returns actually just a function of a particular investment approach? Second, why should investors pay two and twenty for a trading strategy that is replicable?

"There is a process that every fund within a sector is going through that drives the correlations," explained Malek. "High correlation of all the hedge funds in one sector means something. It means that they are all doing something in common."

Yet, while Malek does believe that hedge fund replication is feasible, he also thinks efforts such as factor modeling or pay-off distribution, which some of these new hedge fund replication products are derived from, are doomed to fail.

...continued

WHAT THE SMART MONEY'S DOING

Conquest Capital Group

By Mack Frankfurter

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The factor modeling method uses a regression procedure to weight the component factors and construct an algorithm with the goal of replicating a hedge fund index. The approach was originally developed and documented in an academic paper by William Fung, principal at Paradigm Financial Products, and David Hsieh, Professor of Finance at Duke University.

Harry Kat, professor of risk management at London’s Cass Business School, developed the method called “pay-off distribution.” His approach “aims to provide returns with predefined statistical properties.” Unlike factor modeling which “attempts to generate the same month-to-month returns” as a given fund or index, Professor Kat is looking to produce “returns with the same statistical properties as a given fund or index.”

Barclay Capital also recently launched its first hedge fund replication index based on the idea of integrating what they considered the best of both approaches above.

Malek argues that these approaches are nothing more than back-fitting, especially when done on a high number of variables. “You cannot take the crème of returns, and have no idea how it was generated, plug it into a matrix, that has the price of oil, stocks, currencies, and come out with some sort of multi-variable equation that give you the weight of the factors historically which would have generated these returns,” he explains.

Conquest’s approach, on the other hand, is based on what it says is a transparent set of “extremely simple trading rules” purportedly suited to replicate, in the case of its MFS exotic beta product, a generic managed futures trend following strategy. You don’t duplicate a strategy being an outsider, says Malek, “you do it the same way that traders in that strategy are doing it… by knowing as much about that strategy as people who are doing it.”

Not surprisingly, each of the proponents of these approaches—factor modeling, pay-off distribution and Conquest’s mechanical trading—claim to best capture or replicate the hedge fund index they compare themselves to. In the case of factor modeling or pay-off distribution, back-fitting raises the specter of optimization and makes these methods “very controversial” as far as Malek is concerned.

three years of walk forward actual performance to base its claim of being approximately 90% correlated to the S&P managed futures index. But this still leaves open questions about the veracity of hedge fund indices to begin with, the methods and parameters used to develop the “exotic beta” trading rules, as well as the validity of measuring Conquest’s other funds’ alpha against an index of their own creation.

With respect to the development of Conquest’s mechanical managed futures trend following system, “you cannot get any simpler than what we have created. It doesn’t have any other hard coded parameters. It basically says that trend following happens anywhere between 5 to 200 days,” says Malek. “We could spend two more hours talking about what makes a good back test and what doesn’t. What I can tell you is that this is not a theory anymore, this is something that we have been running for over three years.”

All said and done, by only charging a one percent management fee and no incentive fee, it is obvious that Conquest’s objective is to become an exotic beta juggernaut by producing exotic beta products for managed futures as well as other alternative investment strategies. “What is interesting about it, now we can allow people, to go long or short a trend following CTA,” proposes Malek launching into another cutting edge idea.

The industry has come a long way. “Unlike ten years ago when the hedge fund space was somebody with a bright idea, and dealing with investors that come and put their own money with you if they like what you said,” Malek recalls, “over the last ten years a lot of the risk that use to be taken at prop desks and banks has been outsourced to hedge funds. Institutions like institutions. They don’t like two guys and a bright idea.”

This is the basis for Conquest’s involvement with Proctor IM. “I’m not a marketer,” says Malek, “I have a very quantitative background. They have a very large distribution team that they plan on growing. Meanwhile, I can bounce things off of their legal department; I can rely on them for seed money for some new ideas. It gives us an association with a much larger institution. That I think makes us more stable. It gives us more credibility.”

With respect to their managed futures beta product, “if you look at it on a gross basis, some of those trend following CTAs do actually provide some alpha, but no one does after the two and twenty charge,” explains Malek, adding that he thinks “trend following by itself is a negative alpha proposition after fees, the same way most mutual funds are negative alpha after fees.” That’s why Conquest priced their MFS product at 1% management fee for the first $250 million. Once that class is filled, however, they plan to open the next class at 2%.

“The market is very simple—you have risk and return,” says Malek. “Only way you get compensated is for assuming risk. Now every once in a blue moon, you get somebody who knocks the cover off the ball and is a true star. But ninety-nine percent of the time, you basically make the money the market is willing to give you for assuming risk premium.”

29.06.2007 Proctor Investment Managers acquires 17.5% stake in alternatives firm Conquest Capital

Proctor Investment Managers LLC, a strategic private equity investor providing capital, marketing, and management solutions to investment management firms, today announced a strategic partnership with Conquest Capital Group, a New York City-based alternative asset management firm specializing in managed futures, long-volatility and beta replication strategies.

The partnership with Conquest marks the seventh for Proctor since its formation in January 2006. "We have been fortunate to have attracted a number of high-caliber affiliates, whose AUM growth – from $4.7 billion to more than $8 billion in 2007 alone – is a testament to the strength of their strategies and performance," said James C. Coley II, Proctor's chairman and CEO.

Conquest Capital Group, which launched the first successful managed futures index replication- based fund in 2004, has approximately $380 million in assets under management. Under the agreement, Proctor has acquired a 17.5% equity interest in Conquest for an undisclosed sum. Proctor will become the company's strategic sales and marketing partner, and Mona Aboelnaga Kanaan, Proctor's president, will join Conquest's management committee.

"In addition to its successful history of providing alpha generating strategies to clients, Conquest Capital has been a pioneer in the replication of hedge fund strategies and the development of alternative beta products," said Ms. Kanaan. With a reputation for ground- breaking research and development of proprietary quantitative models, Conquest has developed a broad array of differentiated investment strategies for investors seeking exposure to managed futures, foreign exchange or long-volatility. In short, Conquest represents the innovation and growth potential we seek in an asset manager."

Ms. Kanaan added, "As we work to broaden our range of alternative investment products, this partnership marks our first investment into an alternative firm specializing in single strategies. Conquest's research in analyzing the systematic sources of hedge fund returns has resulted in the firm developing transparent, investable products that replicate and economically capture hedge fund beta, complimenting their existing product line. We look forward to helping them accelerate that growth."

Conquest Capital Group Managing Partner Marc Malek said, "Partnering with Proctor Investment Managers gives us a value advantage in the alternative investments market. Their strong distribution and sales capability will enable us to concentrate on what has made us successful to date: conducting research, creating new products and developing solutions to the alpha-beta problem." He noted that Conquest has already raised $100 million this year.

Mr. Coley added, "We believe that Conquest 's hedge fund beta products will continue to push the debate on beta versus alpha performance in the alternative industry. As of June, Conquest's managed futures strategy has one of the longest industry track records and live validation of the alternative beta approach. We expect significant institutional demand as we begin to globally roll-out this strategy -- along with their existing products -- with Conquest's management team."

Proctor will provide expert institutional and intermediary sales, marketing and client servicing to Conquest Capital Group, fostering the growth of the firm and building value for both parties.

Launched in 2006 with the backing of National Bank Financial of Canada, Proctor Investment Managers is a strategic private equity investor in high-caliber asset management firms. As a strategic investor, Proctor allows firms to meet the demands of an increasingly competitive and demanding market environment by providing capital, global sales and marketing capabilities and industry expertise. Proctor has partnered with a diverse group of firms that manage over $8 billion of client assets in traditional and alternative investment products. For more information, please visit www.ProctorIM.com.

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PROCTOR IM TAKES EQUITY STAKE IN MANAGED FUTURES FIRM

2007-06-28

Elana Margulies

NEW YORK: $8.5bn private equity investor Proctor Investment Managers has taken a 17.5% equity stake in New York 's Conquest Capital Group, a $380m managed futures manager which also specializes in long -volatility and beta replication strategies, according to Proctor CEO James C Coley II.

Coley declined to comment on the dollar amount, but said Proctor, which provides capital and marketing to both alternative and traditional investment management firms, decided to take an equity stake in Conquest because of the uniqueness of its strategies.

Conquest 's maiden CTA offering, the $100m Conquest Macro Fund, is a short-term trend follower, compared with the others that are long-term trend followers. Coley added that Conquest 's beta replication product, the $250m Conquest Managed Futures Select (MFS) deviates from others because it replicates strategies quantitatively, compared with those that use factor models.

“Conquest has strong proprietary research it has developed through unique models,” Coley said. “As the debate between ‘what is alpha and what is beta’ continues in the hedge fund arena, it is clear that institutional clients will push for greater transparency and understanding of the various options in hedge fund replication. It is our belief that Conquest's differentiated investment process is a superior solution to those seeking these traits over the so called ‘black box ' index replication models. ”

The Conquest Macro Fund, which has a track record since May 1999, trades 29 FX, fixed -income, equity index, energy and metals markets on a systematic basis. The markets encompass various geographic regions across asset classes, with liquidity being the main focus. The fund’s year-to-date return through May is -7.77%. In 2005 and 2006, it returned 6.95% and 8.04%, respectively net of management and incentive fees.

The Conquest MFS replication strategy consists of 20 breakout strategies ranging from five days to 200 days and applies these systems to 55 different FX, fixed-income, equity index and commodity markets on a systematic basis. Its year-to-date return through May is -0.69%. In 2005 and 2006 it returned -2.29% and 10.94% respectively, net of management and incentive fees.

Marc Malek, managing partner and co-founder of Conquest, said he created a replication strategy due to the request from an Ivy League endowment.

“We started a programme to replicate the managed futures indices that replicates the industry with close to 90% correlation by only charging a 1% management fee, versus the 2/20,” he said. “We are able to provide a much more superior trend -following product than the typical trend -following CTAs.”

The partnership with Conquest is Proctor’s seventh since inception in January 2006, Coley said. It most recently took an equity stake in Explorer Alternative Management LLC, an over $100m New York -based fund of hedge funds that invests in emerging managers.

Coley said the firm expects to complete two to four deals per year, the majority of which will be in alternative investments, and is eyeing partnerships with long/short funds, emerging markets strategies, distressed debt vehicles and fixed -income portfolios.

Article Information

Publisher: Hedge Fund Manager

Published Date: 2007-06-28

Categories: **Sections:** News

Section: Daily News

Proctor/Conquest: Pushing the Beta Debate

By Christopher Faille, Senior Financial Correspondent
Thursday, June 28, 2007 6:07:37 PM ET

NEW YORK (HedgeWorld.com)—Proctor Investment Managers LLC has acquired a 17.5% equity interest in Conquest Capital Group LLC, an alternative asset firm that specializes in managed futures, long-volatility and beta replication strategies.

That equity interest isn't just an investment, both sides said, but a strategic partnership. Proctor —which was launched with the backing of National Bank Financial of Canada in January 2006—provides capital, marketing, and management expertise to investment management firms.

"We believe that Conquest's hedge fund products will continue to push the debate on beta versus alpha performance in the alternative industry," said Proctor's chairman and chief executive, James C. Coley II. He praised Conquest's managed futures strategy as live validation of the beta approach.

Conquest's managing partner, Marc Malek, was equally enthusiastic. In a statement Thursday [June 28] he said that Proctor's "strong distribution and sales capability will enable us to concentrate on what has made us successful to date: conducting research, creating new products and developing solutions to the alpha -beta problem."

The "alpha -beta problem," much discussed not only among practitioners but in a body of scholarly literature, concerns customization of investor exposure to both market returns and manager skill, and the separation of those two issues Previous HedgeWorld Story.

Conquest and Proctor made their connection due to personal ties, Mr. Coley said in an interview. Proctor's president, Mona Aboelnaga Kanaan, "has known them [Conquest's executives] for a long period of time." Ms. Kanaan will join Conquest's management committee.

Before Proctor, and starting in 2002, Mr. Coley was at Overture Asset Managers LLC, also a New York-based firm. Before that, he worked on Wall Street for 18 years in fixed-income sales, much of it with Morgan Stanley, he said.

Conquest Capital was founded in 2001, and launched a managed futures index replication-based fund in 2004. In 2007, it has approximately $380 million in assets under management. It offers five investment vehicles, and boasts of a strong quantitative team with published work in the areas of volatility, alternative beta, and risk aversion.

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Canadian firm buys stake in hedge fund

Heidi Moore

29 Jun 2007

A Canadian private equity fund has bought its seventh holding in a hedge fund as alternative investment firms continue the rush to sell stakes in themselves while high valuations are the rule.

Canada's Proctor Investment Management took a 17.5% stake in Conquest Capital Management, but did not disclose the amount. Proctor is an 18-month-old private equity group that invests in hedge funds and alternative asset managers. It contributed to seven firms before Conquest, and four of those have been equity investments, said Jim Coley , Proctor's chief executive officer.

The aggregate assets under management of Proctor 's portfolio of firms grew from $4.7bn ($3.49bn) to over $8bn in 2007, Proctor said.

The stake in Conquest, which has about $380m under management, marks Proctor's first investment in an firm that specializes in a single strategy. Conquest launched the first managed futures index replication-based fund in 2004 and specializes in beta replication, or imitating the absolute returns of certain funds, as opposed to returns measured against indexes like the S&P 500 .

Proctor looks to invest in two to four firms a year, Coley told *Financial News*. He noted that Proctor has avoided the high prices paid by other stakeholders in hedge funds because it buys interests in small firms, not the giants that draw more attention and dollars. Coley said: "The prices of Fortress and other initial public offerings are not affecting the valuations of smaller firms."

Bankers expect between 10 and 20 alternative asset managers to float within the next 18 months, with potential deals from Citadel, Avenue Investment Management, Perry Capital and DE Shaw.

Hedge funds have been keen to sell stakes in themselves because of high valuations in the industry at present. More than 25 alternative asset managers, including The Blackstone Group, have raised at least $15bn in the past 12 months by selling either minority or controlling interests in themselves, according to research by *Financial News* and US corporate finance adviser Freeman & Co.

Of the top 10 independent hedge fund managers, four - including Bridgewater Associates, Citadel, Atticus and Campbell - are considered to be "eligible" for investments or sale, according to an Institutional Investor survey of fund managers.

Investment banks have been particularly avid investors in hedge funds. Morgan Stanley has bought five alternative asset managers, including FrontPoint Partners, and Lehman Brothers has taken minority stakes in six. Earlier this year, Citi paid $600m to buy Old Lane Capital and promoted the firm's founder, Vikram Pandit, to head of alternatives for the bank.

Founded in 2001, Conquest Capital Group is an alternative asset management firm with approximately $380 million under management. It offers five investment vehicles, specializing in the trading of futures and FX markets globally. Conquest Capital Group has a strong quantitative team with published work in the areas of volatility, CTA analysis, alternative beta and risk aversion. For more information, please visit

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Market Focus

At A Crossroads?

Conquest: Expect 'Significant Pressure' On Global Equities

March 9, 2007

The coming months will witness "significant pressure" on global equity markets, with fixed-income markets rallying due to interest rate cuts, anticipates New York hedge fund manager Conquest Capital Group. "I think basically risk aversion has been sold dramatically over the last few years [and] there is a tremendous amount of leverage in the system," said Managing Partner **Marc Malek**, who espoused these views in a letter to investors. "That is going to change starting this year."

The firm does not write monthly market commentaries, except when "a major crossroads in the markets" warrants it. "We believe we are at such a crossroads now," Malek wrote. With manufacturing heading into a recession and housing data "going from bad to worse," the consistent theme is a turning of the tide in the U.S. economic cycle--none of which has been fully priced into equity, credit or commodity markets. "Housing data is going to be the key," Malek said. U.S. consumer consumption, fueled by home equity leverage, is effectively responsible for having kept the world economy humming.

This will change as central banks' tightening efforts take hold. The U.S. Federal Reserve kicked off this cycle in June 2004 but "it takes some time to wake up from a drunken stupor. We are there now." The ensuing pressure on equity markets, along with a broader economic slowdown, will cause central banks to reverse course and lower interest rates, which will in turn boost fixed income and "cause a massive drop in the USO." As a result, "over the next few months there are three major trades: equities lower, fixed income higher, and eventually, a massive USO decline."

Conquest Develops US Hedge Fund Replication

Conquest Capital Group

is developing a quantitative strategy to rep cate returns of long/short equity hedge funds. This follows an earlier managed futures Strategy that emulates commodity trading advisors The new approach will go long and short U.S. equities, just as hedge funds do, using a systematic process and charging lov.er fees . said Marc Malek, managing partner

Conquest's managed futures strategy has exhibited 87-90% correlation to the Barclay Hedge's Newedge CTA

Please click here to read the full story from Foundation & Endowment Money Management, the only information source that delivers search leads and inside intelligence on the investment strategies of nonprofits.

Conquest's managed futures strategy has exhibited 87-90% correlation to the Barclay Hedge's Newedge CTA ..

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Behind the Money

Studv Relates Risk Climate and Returns

By Christopher Faille, Financial Correspondent
Monday, November 14, 2005 1:14:55 PM ET

NEW YORK (HedgeWorld.com)—A recent study indicates that most hedge fund strategies fare better within risk-seeking market conditions than they do in risk-averse conditions, and that this sensitivity to the surrounding "risk regime" explains the recent run of hedge fund success.

The converse proposition, then, is that an increase in risk aversion, one which would manifest itself in wider spreads and more expensive options, would bring that run of success to an end.

The new paper by Conquest Capital Group LLC, New York, distinguishes five different sorts of risk, each of which generates a premium—i.e., an extra level of compensation for its assumption. The five sorts of risk are: illiquidity, credit, emerging market events, currency exchange volatility, and equity volatility. Since these premia are of variable quantities, each has its own market measurement ("metric"). Respectively, the five corresponding metrics are swap spreads, corporate bond spreads, emerging market bond spreads, FX implied volatility, and the Chicago Board Options Exchange volatility index (VIX).

The Conquest risk aversion index is a binary one, based on these five metrics, taken day by day. If at least two of the five indicated a heightened risk premium on a particular day, the environment is said to have been risk-averse. If four or five showed low risk premia, the environment was risk-seeking. Considering all the days since the index began in January 1997, the percentage of risk-averse days so defined is 30.9%. Considering only the period from Oct. 1, 2002, to Sept. 14, 2005, though, the percentage of risk-averse days is much lower, 10.1%.

For convenience, Conquest then clustered days into months, treating as risk-averse any month in which more than half of the days were risk-averse. It then discovered that the only hedge fund index that performs better in risk-averse months than in risk-seeking months is the CSFB Tremont dedicated short index, which also is the only index with a negative "information ratio" (return divided by volatility) overall.

Managed futures, likewise, do better in risk-averse conditions than in risk-seeking conditions. Managed futures are also "robust," meaning they can yield positive returns under both risk regimes.

What follows from all this in practical terms is that investors might be wise to guard against a change in risk regimes by allocating some portion of their portfolios to managed futures.

CFaille@HedgeWorld.com

A new breed of computer-run investable indices claims superiority for capturing hedge fund betas.

In Quants We Trust?

By James Picerno

THE INVESTABLE HEDGE FUND INDEX BUSINESS IS A 21ST CENTURY invention, but already it's in need of reinvention, asserts Marc Malek, managing partner of Conquest Capital Group.

Malek's no idle observer of the market for portfolios that track hedge fund benchmarks. His New York firm is among a small but determined group of players trying to convince the world that there's a better way to run an investable index in the alternative investment space. Four-year-old Conquest Capital runs a quantitatively managed index fund for institutional investors and wealthy individuals. The goal: Capturing the lion's share of returns in the commodity trading advisers (CTA) market, one of several strategies within the broadly defined hedge fund universe.

Conquest Managed Futures Select, the firm's CTA index fund, was launched in 2004, and so it has barely had time to prove itself. Yet Malek already talks of extending his nascent indexing franchise, speaking of plans for other quant-based investable hedge fund indices. In fact, he boldly aspires to be the alternative investing world's John Bogle, a reference to Vanguard Group's founder who launched the first equity index mutual fund 30 years ago.

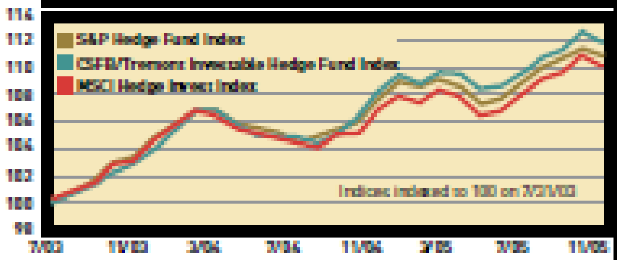
The twist is that Malek's firm uses computer models to run what he claims is a superior indexing process for replicating the returns of hedge funds and managed futures. That's in contrast to the first wave of investable hedge fund products which began appearing a few years back and share a common feature of buying pre-existing hedge funds to track a benchmark.

Malek's vision is controversial in some, if not most hedge fund circles. Indeed, some dismiss the idea of quant-based indexing as, at best, an experiment and at worst, a hopelessly naïve scheme that can't possibly replace the talent of those human managers who've proven themselves. Meanwhile, Malek's not winning any friends in the industry by charging just a mere 1 percent fee for his CTA index fund, a pittance in a business where the so-called two-and-20 standard pricing dominates—2 percent of assets and 20 percent of profits, if any.

Yet Malek's not alone in arguing that quant-based efforts are a better indexing mousetrap for capturing a representative performance sample of hedge fund strategies. Nonetheless, it remains to be seen if the quants grab a significant slice of the market for investable hedge fund indices. The arrival of indexing is always a contentious affair, and that history seems likely to repeat itself here.

As with most attempts at reinventing some corner of investing, the first step is rolling out product. By that standard, the new new age of investable hedge fund indices has begun. The most conspicuous example arrived in September, when Rydex Investments, the mutual fund company known for its innovative list of index funds,

THE DEFENDING TEAM



The first generation of investable hedge fund indices, such as the three shown above, has new competition from quant-based benchmarks.

launched Rydex Absolute Return Fund.

Rydex bills its new fund as a quantitatively driven, multi-strategy hedge fund in a mutual-fund format. The investment goal, which is a first for a mutual fund, is generating "return and risk characteristics of the hedge fund universe," according to the prospectus. There are a number of mutual funds that pursue hedge fund-like strategies, such as market-neutral and long-short, but Rydex Absolute Return is the first mutual fund to quantitatively pursue multiple hedge fund styles under one roof.

As the label implies, quantitative-based strategies are distinguished by a slavish dependence on computer models. A different model prevails with the first wave of investable hedge fund indices, which track benchmarks published by Standard & Poor's, MSCI, Dow Jones, CSFB/Tremont and others. The S&P Hedge Fund Index, for example, is comprised of roughly 40 hedge funds. The focus on individual hedge fund managers makes the first investable indices comparable, at least superficially, to the traditional hedge fund of funds—a far older strategy that also seeks to offer a diversified mix of hedge funds, albeit by relying on a qualitative approach to picking funds.

Investing in multiple managers and repackaging the strategy in one fund could hardly be more dissimilar from a quant-eyed view of hedge funds. The latter is a world where computers identify and then spit out rules for producing the factors, or unique investment characteristics that define a given strategy. "It's trying to capture the return stream, basically the beta, of the index," Justin Dew, a senior hedge fund specialist at Standard & Poor's in New York, says of quant-based indexing for hedge funds. "Attempts at recreating the beta of certain hedge fund styles are becoming more and more popular."

Jeff Joseph, managing director of Rydex Capital Partners, prefers the term skill-based betas for describing the focus of his firm's Absolute Return Fund. But this isn't your father's beta that dictates the mechanics in running conventional equity indices like the S&P 500. "Unlike going long only, skill-based betas require leverage, derivatives and/or shorting to execute, and that's why your typical investor can't do it," Joseph explains. "But they're still betas." The Absolute Return Fund's betas are spread across six categories: fixed-income arbitrage, long/short equity, merger arbitrage, market neutral, currencies and commodities.

THE NEW BREED OF QUANT-ORIENTED HEDGE FUND INDEXERS CRITICIZES BOTH TRADITIONAL HEDGE FUNDS AND THE FIRST GENERATION OF INVESTABLE HEDGE FUND INDICES. THE FORMER ARE ALL TOO OFTEN CHARGING FOR ALPHA BUT DELIVERING BETA, GOES THE COMPLAINT.

The use of computers for executing buy and sell decisions is hardly new, although quantitatively replicating a broad swath of alternative investment results is largely a new arrival on the financial scene. However, there is at least one exception: Mount Lucas Management, a Princeton, New Jersey company that's been quietly running an investable index of managed futures performance for institutional investors since 1993. Roughly $1.5 billion is currently tracking the MLM Index, says Ray Ix, senior vice president at Mount Lucas. The benchmark is diversified among 22 futures markets in currencies, commodities and fixed income, and the strategy allows for going long or short in each group, depending on market trends.

"We've always believed there's a beta to hedge fund investing, but hedge funds don't want to tell you that because that would screw with their incentive fee," Ix contends. MLM's founders, Chairman Frank Vannerson and President Timothy Rudderow, believe that a true index should demonstrate the returns of an asset class that's independent of manager skill, Ix continues. But there's a limit to how much you can charge for such a service. Accordingly, the price of the MLM Index is no more than a flat 75 basis points.

The issue of fees ultimately finds its way into any discussion of investable hedge fund indices, a realm that promotes itself as a far-less expensive entry to hedge-fund land. It's a sensitive subject for an industry that otherwise justifies hefty fees by claiming that hedge funds excel in alpha, or manager skill. Predictably, the quant-based indexers beg to differ, arguing that beta makes up the bulk of hedge fund returns, and so beta pricing should be the norm.

"There's more beta than alpha in [hedge fund] returns," says Lars Yaeger, who heads the research division of Partners Group, a Zug, Switzerland firm that recently created a quant-driven multi-strategy investable hedge fund product that charges no more than a 1.5 percent fee. "You can actually model [hedge fund] beta quite well. Once you can model it, you can replicate it passively and create solid benchmarks and investment vehicles that replicate hedge funds through their beta exposure."

The new breed of quant-oriented hedge fund indexers criticizes both traditional hedge funds and the first generation of investable hedge fund indices. The former are all too often charging for alpha but delivering beta, goes the complaint. Meanwhile, building investable hedge fund indices by investing in a variety of individual managers is inherently misguided at any price, runs the other charge. Conquest Capital's Malek says that building a managed futures index by purchasing other hedge funds is as misinformed as a "passive" strategy trying to capture the equity market's returns by owning a mix of actively managed stock mutual funds.

Still, some argue that the first generation of investable hedge fund indices has a valuable role to play. One reason, S&P's Dew insists, is that some hedge fund strategies can't be quantitatively modeled. As a result, manager-based indexing offers strategies that are off limits to quant-run indices. What's more, quant-based indexing is untested, Dew adds.

As such, no one really knows if modeling and then building an investable index of multiple hedge fund betas will succeed as a long-term proposition. As the skeptics like to point out, quant indexing is complicated stuff, which draws charges from some that the strategy is really just a black box of uncertainty.

In any case, separating alpha and beta remains popular in the investment industry generally, and the trend doesn't end at the doorstep of alternative investments. "Hedge fund beta strategies clearly resemble traditional index fund strategies, as we can write rules for how to implement them, and these rules are not secret," wrote Cliff Asness, managing/founding principal of AQR Capital Management, a quant-oriented hedge fund in Greenwich, Conn., in the Fall 2004 issue of *The Journal of Portfolio Management*.

Simply put, it's not getting any easier to dismiss the notion of hedge fund betas. "Theoretically, there's enough research out there on how you can quantitatively replicate hedge fund strategies," says Thomas Schneeweis, a professor at the University of Massachusetts, Amherst, and director of the institution's Center for International Securities & Derivatives Markets.

One of the authors of such research is David Hsieh, a professor of finance at Duke University who's studied so-called factor models for hedge funds. Among his findings are that seven factors explain as much as 80 percent of monthly return variations in diversified hedge fund portfolios, a conclusion discussed in an article he co-authored that was published in the September/October 2004 *Financial Analysts Journal*. *Wealth Manager* recently asked Hsieh if such a finding provided the basis for running factor-based hedge funds. In an email response, he replied that the seven-factor model was a starting point for "understanding the typical risks in hedge funds."

Making the leap from theory to real-world money management is still tenuous, Hsieh adds. "If the objective is to replicate hedge fund returns using some quantitative model, I would say that the answer is still very much up in the air."

One problem, according to Hsieh, Schneeweis and others who otherwise accept the existence of hedge fund factors, is that some strategies lend themselves to quantitative modeling, but some don't. The quantitative approach is "very applicable to a certain set of strategies, but not to others," agrees Barry Colvin, president of Tremont Capital Management, a Rye, N.Y.-based hedge fund consultancy and hedge fund of funds manager. Rydex's Joseph concurs, noting that several hedge fund strategies, such as global macro, aren't targeted in his Absolute Return Fund.

But for those hedge fund/managed futures strategies that can be generated quantitatively, the case for a quant approach is compelling, at least on paper. That's partly because the competition among hedge funds generally is growing. If, as some strategists predict, hedge fund returns will diminish as more dollars chase performance, the relatively inexpensive path to investing in the alternative space that Rydex, Conquest and Mount Lucas Management offer may find a bigger audience.

Malek sums up the opportunity by opining, "I think the hedge fund world is ripe for a Vanguard of hedge funds."

Whether quant-based hedge fund indexing fails or succeeds, for the time being the first wave of investable hedge fund indices seems to be in the cross hairs of a new generation of indexing upstarts. "The investable indices out there right now have nothing to do with extracting risk premia," alleges Yaeger. "They're basically a bunch of managers being pulled together, in a more or less random way. They're much more fund of funds than indices."

It's unclear if the market will accept the progressive view of the Yaegers and Maleks or take a more nuanced approach by agreeing that the earlier generation of investable indices have merit next to their quant-based alternatives. Rydex, for one, has an inclusive philosophy, offering both a manager-oriented fund of funds for investable indexing via its Sphinx Fund (which tracks the S&P Hedge Fund Index) and its new quant-run Absolute Return Fund.

No matter the debate over who's got the better index fund, this much seems clear: There's a growing acceptance that hedge fund betas exist and that those betas can, to a degree, be exploited in the real world. The real debate will center on how best to capture those betas, and that promises to be a long and increasingly technical discussion about implementation.

Indexing overall may be about leveraging simplicity and efficiency on behalf of enhanced risk-adjusted returns, but no one ever said passive investing's evolution would be easy.

JAMES PICERNO (jpicerno@highlinemedia.com) is senior writer at *Wealth Manager*.

For Our Next Trick

(CONTINUED FROM PAGE 74)

Populism is spreading to the convertible arbitrage market as well. Yusko, for one, believes that convertible bond arbitrage is an invaluable investment strategy that should be available to a wider swath of investors. "By every measure of risk—standard deviation, semi-variance downside volatility, risk of absolute loss—convertible arbitrage strategies are far less risky than most investments," he says. "In the worst years of a convertible arbitrage fund you might lose 10 percent of your money, but compare that to the worst year in equities where you might easily lose 30 percent or more of your money. Yet most investors are precluded from incorporating these arbitrage strategies because of SEC edicts."

While opinions vary on convertible portfolio percentages and suitability, they conform on account location: Convertible bond funds—arbitrage or long—are best suited for tax-advantaged accounts. Annual turnover for most funds is high. "Compared to an equity fund, our turnover rate ranges from 50 percent to 100 percent," says Dinsmore. "I don't know how you manage a convertible portfolio, even in a normal market, that isn't at least in the 50 percent turnover range."

Because of recent anemic performance, both convertible bonds and convertible bond arbitrage have lost some of their luster. The Froley, Revy Convertible Security Index was down 0.50 percent in 2004 and up 1.72 percent through October 2005. Meanwhile, through October 2005, the CSFB/Tremont HEDG Convertible Arbitrage Index was down 3.06 percent after gaining 1.98 percent in 2004. Investors responded predictably: Convertible bond funds, which took in $644 million in 2004 and about $3 billion in 2003, suffered outflows of $744 million through June 2005, according to data aggregated by Financial Research Corp.

Recent market weakness in the convertible bond market coupled with investor antipathy could spell opportunity for contrarians and disciplined asset-rotation adherents. "Like anything else, the price you pay influences the attractiveness of the security," says Yusko. "Two years ago, paying a premium for a convertible bond was very risky, though it happened with regularity because of the hot market. Today, buying straight convertibles at a discount is starting to look attractive."

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► La stratégie de trading de Conquest est particulièrement profitable dans les marchés volatils

Conquest profite de la volatilité à court terme

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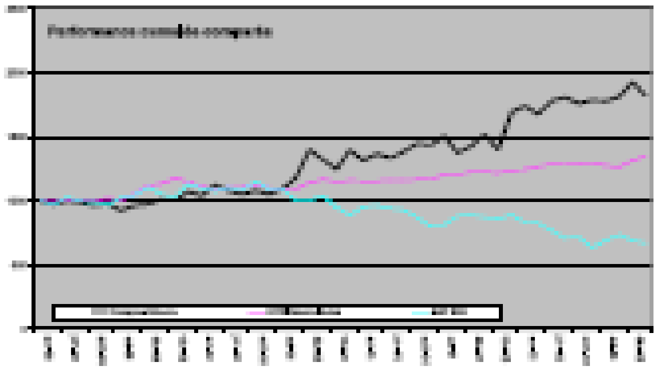

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Le fonds Conquest Macro est positionné pour profiter des fortes augmentations de volatilité des marchés

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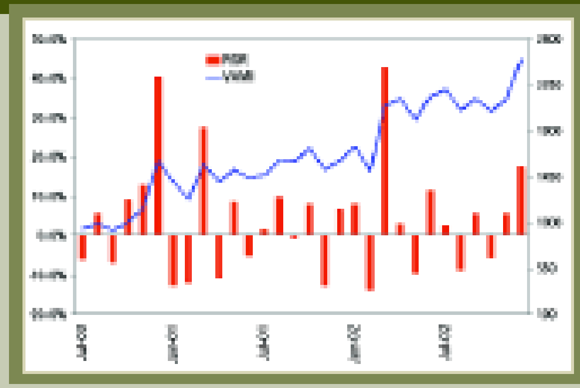
Conquest profits

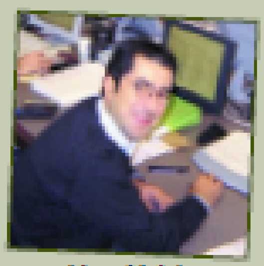


With the theme of this year's look into the top traders appropriately titled "Return of the long-term trend followers," it is somewhat ironic that we are featuring a CTA that partly attributes its spectacular 2002 returns to dropping the long-term trend following element from its stable of models within its program, but who wants to argue with 62.44% returns?

Rich Silver

New York-based Conquest's Macro fund leveraged program utilizes a short-term and medium term trend following model along with a short-term countertrend model. It took out the longer-term approach in 2002 because managing partners Rich Silver and Marc Malek, who both held senior positions at UBS's forex division, felt it was getting too difficult to gain strong risk adjusted returns using that method. The average length of their trades is 4.5 days. They say the system managed to catch the trends that existed without facing the inevitable drawdowns that come with following long-term trends.

Despite this year's returns, Malek believes the best days for long-term trend following are behind it. He says the theory behind long-term trend following is that people get information at different times. With the increase in technology, Malek believes that isn't the case any more. While there still will be volatility and trends, the reversals will come quicker and will be sharper, making it harder to get in and out at the right time. "The world is a different place, the beginning [of trends] are sharper and reversals are sharper...reversals from trends will be so sharp that risk adjusted returns will get worse," Malek contends. Conquest sweeps away both the winning and losing trades every four days, he says.



Marc Malek

Conquest trades 32 markets in all the major financial sectors. They split up their allocation to the three major global sectors: United States and Canada, Europe and the Pacific Rim. In each of those regions they trade currencies, short-term interest rates, long-term interest rates and stock indexes. They also trade energies and metals. They do not trade grains, meats or softs because they do not want to run into capacity issues as the program grows. "We want to stay below 5% of daily volume in any market we trade," says Malek, adding, "We are not building this to run $50 million, we are building this to run $500 million."

They also note that their approach has a low correlation to other CTAs, which will become valuable as more money is put into managed futures and allocators look for something a little different. "We want to find a different way of extracting value out of the markets," Malek says.

It seems to be working. Conquest's 2002 numbers are as good as any out there, and they looked as good at different points in the year. They even managed to make money in October and November, months when even the best CTAs tended to give back profits.

They also had positive returns in the first six months when most trend followers who earned the majority of their profits in the third quarter and December, struggled. "Our program is designed to have a negative correlation to equities and hedge funds and have a low correlation to the rest of the systematic macro CTA world," Silver says.

An example of their agility came in the spring and summer when they earned profits on both sides of a large dollar/yen swing. Conquest took profits on a move in the dollar and on the reversal when most long-term trend followers where giving back profits from the original move.

The ultimate goal according to Silver is to provide a much better risk-adjusted return while still performing well in periods of dislocation.

Past performance is not necessarily indicative of future returns. The performance information herein relates to the leveraged version of the Conquest Macro Program.

MAR
THE GLOBAL SOURCE FOR MANAGED FUTURES

Issue No. 297
November 2003

Reprint

Camelot Partners

Breakout volatility

Publisher's note

This review originally appeared in the November 2003 edition of MAR. They have been altered slightly for this reprint.

Breakout volatility

A focus on positive expectancy and no correlation

By Elise Coroneos

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Vital Statistics

Assets under mgt	
Conquest Macro	$370 million
Currency Only	$18 million
Conquest Protector	$15 million
Minimum investment	$250,000
Registration	CFTC
Fee structure	
Management fee	1.5%
Incentive fee	20.0%
Avg commission	$7/roundturn
Ratios	
Avg margin-to-equity	10.0%
Ann comm-to-equity	2.1%
Avg Roundturns/$M/year	3,200
Auditor	PricewaterhouseCoopers

Richard Silver and Marc Malek

Marc Malek and Richard Silver, the founding partners of Camelot Partners, have worked together for the better part of eight years. They first met at Union Bank of Switzerland in 1995, where they built and managed businesses in foreign exchange, derivatives and emerging markets in the US, Europe and Asia.

Following UBS's merger with the Swiss Banking Corp in 1998, they added global proprietary foreign exchange trading to their responsibilities for global foreign exchange derivatives and exotic options.

Malek first became interested in the formulation of computer-based decision systems while studying at the California Institute of Technology. He was able to put his interest into practice at KB Currency Advisors, a $400 million hedge fund, where he built trading systems. Later at UBS, he first conceived of pairing his quantitative background with volatility in systematic trading.

Malek co-founded Enterprise Asset in 1999, which focused on trend following in different time frames and short-term volatility trading. Enterprise was then dissolved before the founding of Camelot Partners with Richard Silver in 2001.

Today, the majority of Camelot's assets are in Conquest Macro, which has enjoyed impressive growth increasing from about $80 million to more than $370 million in 2003 alone. The program's clients are mostly blue-chip funds of funds and institutional clients.

It has a compound annualized return of 17.7%, which compares favorably with the 9.3% return of the CISDM diversified subindex median.

Camelot also manages Conquest Protector, a short-biased fund with $15 million under management, and a currency-only fund with $18 million.

Insurance of sorts

Conquest Macro trades three main strategies: short-term volatility breakout with a two-day average trade duration; medium-term trend following with a 10-day average duration; and a short-term countertrend strategy with a three-day average duration. Each strategy employs four different trading models—12 models in all.

Within each model, the firm trades more than 35 different markets. Historically, the portfolio has consisted of approximately 40% currencies, 35% fixed income, 15% equity and 10% energies and metals. The firm runs a 24-hour trading desk, which enables it to cover the North American, European and Asian block markets.

All the models have an upside correlation to each other of over 70% and a downside correlation of between 20% and 50%. Camelot believes this correlation skew gives it an edge in achieving a high annual return to worst drawdown.

In addition to producing trading models with low correlations to each other, Camelot aims to achieve a low correlation to other trading advisors. "We try to be the insurance in a portfolio of hedge funds and a portfolio of CTAs," says Malek.

"Clients don't generally mind if all their investments do well at the same time, but what they very much want to protect against is all their investments doing badly at the same time."

The firm achieves low correlation to other advisors by being long short-term volatility.

Volatility is the overriding discipline governing when Conquest Macro enters a market by using each of its three strategies and their four underlying models. It takes a position when volatility is low and gets out when volatility expands, the result being long the volatility of volatility.

Malek describes this approach as a volatility breakout strategy—different from the pure academic definition of long volatility, which is to be long via the purchase of options. The benefit, he says, is positive expectancy and no correlation to other managers.

Camelot's approach gives the firm an edge, says Malek, because it does not have to deal with the effects of time decay, which can cause problems in traditional long volatility approaches when the market is not moving. "In our case, if the market suddenly dies, we just don't take a position, our margin-to-equity comes down and we just wait for things to wake up again."

The risk to Camelot's strategy occurs not because of a lack of market movement, but in a market with small spikes in volatility that do not follow through in the underlying market. This is when the benefits of a portfolio diversified across time frames, models within time frames, markets, sectors and locales kick in, bringing the risk per trade down to between five and 15 basis points.

The importance of this diversification is illustrated by looking at Conquest Macro's annualized volatility on a 12-month rolling basis. It went from 22% at the end of 2002 to 13% in 2003—during which time the firm went from trading three submodels to 12 submodels.

"The challenge was to come up with submodels that had a very high upside correlation and relatively low downside correlation," says Malek. "We didn't want to sacrifice return or change the nature of what we try to extract from the market, but we absolutely wanted to improve the risk adjusted quality of the return."

Camelot Partners

PERFORMANCE HISTORY

May 1999 – September 2003

	Conquest Capital	Median of CISDM Diversified Subindex	S&P
Return(%)			
Annual comp rate	17.66	9.26	(5.07)
1999 (7 mths)	(2.34)	2.30	11.00
2000	43.35	10.78	(9.09)
2001	2.06	4.49	(11.88)
2002	35.32	18.09	(22.11)
2003 (9 mths)	6.07	9.15	14.73
October estimate	(5.58)		
Risk (%)			
Annual std dev	20.81	16.04	17.48
Semideviation	10.49	9.64	12.80
Maximum decline	(10.77)	(18.40)	(44.73)
Return/Risk			
Sharpe Ratio	0.64	0.28	(1.00)
Comparison with CISDM Diversified Subindex			
R-Squared	0.19		
Alpha	0.89		
Beta	0.97		

A focus on drawdowns

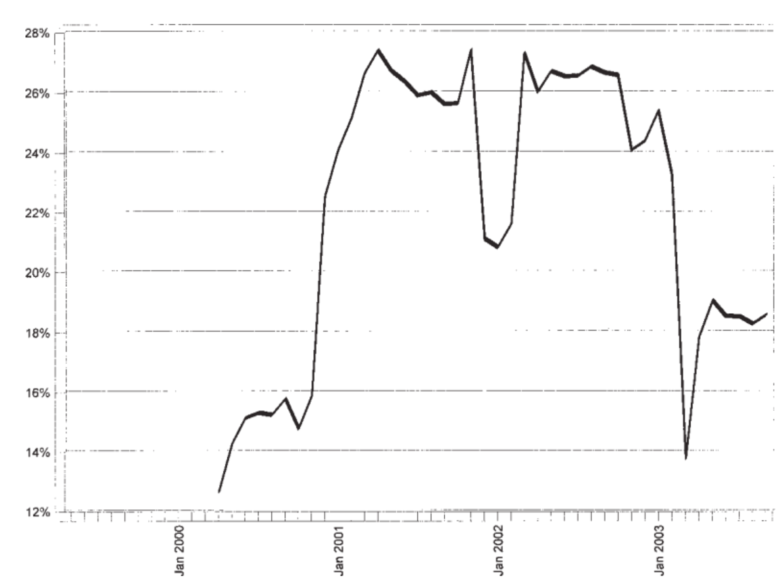
When it looks at risk, Camelot considers downside deviation, or drawdown, as opposed to standard deviation. This is a function of the firm's trading philosophy that it is not the upside deviation it should be trying to limit, but rather its drawdown.

"Because we think of risk as drawdown, to have an equal allocation to risk per system, we strive for an equal allocation to our drawdown," says Malek.

This focus on limiting drawdowns is illustrated by the fact that although the annual standard deviation for Conquest Macro is higher than that of the CISDM diversified subindex median, indicating a high level of risk, the program's drawdown is well below that of the subindex.

The historical standard deviation for Conquest Macro is 20.8% compared with a seemingly less risky 16.0% for the median, while its drawdown is a relatively modest 10.8% compared with the median's 18.4%.

12-month rolling window of volatility



Approaching capacity

In view of its recent upsurge in assets, quadrupling the size of the program in 2003, Camelot plans to close to new assets in the first quarter of 2004. At that time, it expects to have in the vicinity of $600 million under management, its earmarked capacity. It already has commitments of $100 million from existing clients.

Malek says the firm has no plans to add additional strategies or models, though research is always going on. "We are not willing to sacrifice the quality of profile of our returns for assets," he says.

Camelot Partners is made up of managing partners Malek and Silver, three people in client relations, four each in trading and research, one financial officer and two in administration.

BARCLAY MANAGED FUNDS REPORT

Published by Barclay Trading Group, Ltd. ■ 800-338-2827 or 641-472-3456

VOLUME 14, NUMBER 4 — 4TH QUARTER 2002

• REPRINT •

BARCLAY FUND REVIEW

Conquest Capital LLC

Conquest Capital LLC

Richard Silver and Marc Malek, Conquest Capital LLC

Conquest Capital, an affiliate of Camelot Partners, is managed by Marc Malek, the former head of Global FX Exotic Derivatives for UBS, and Richard Silver, the former head of Global FX Proprietary Trading for UBS. Camelot Partners currently manages $230 million in four funds and a managed account, $80 million of which is managed by Conquest Capital.

Conquest Capital's trading philosophy can be summed up in three key principles: Recurrent patterns can be profitably exploited in highly liquid markets; systematic, disciplined trading is superior to non-systematic trading as a way to exploit these patterns; and extensive human trading experience is necessary to design and trade a superior program. Conquest Capital therefore believes that there are two critical elements to its success: the experience and judgment of its principals and the quality of its trading programs.

Managing Partners

Mr. Malek and Mr. Silver worked together at UBS prior to founding Conquest Capital. Rich Silver is a graduate of Wharton and began his career as a floor trader on the PHLX and the CME for O'Connor and Associates, a premier derivatives boutique in Chicago, eventually becoming one of the lead portfolio managers in the currency derivatives business. In 1990, he joined Bankers Trust where, as co-head of FX derivatives, he merged disparate operations in New York, Tokyo, and London into a global portfolio and seamless trading operation. From Bankers Trust, Silver was hired in 1993 to build a similar operation at the Union Bank of Switzerland, and by 1997 commanded one of the largest and most profitable currency option portfolios in the world.

Marc Malek started his career in 1992 at Salomon Brothers in New York as a financial analyst in the Financial Strategy Group. From Salomon, he was hired in 1993 to KB Currency Advisors ("KB"), a $400 million hedge fund and financial advisory firm. For the next two years, Malek traded currency options and worked on developing proprietary trading programs. He joined UBS in 1995, where he was the worldwide head of the Exotic FX Derivatives Group; and by the time he left the bank in 1998, held the post of Executive Director in charge of FX Proprietary Trading in Europe. Malek graduated with Honors from Caltech with a BS in

At a Glance:
Conquest Macro Fund

Total Firm Assets:	$230 million
Strategy Assets:	$80 million
No. of Employees	7
Account Information	
Minimum Investment:	$250,000
Margin/Equity Ratio:	15%
Roundturns/$million/year:	5500
Performance Analysis	
Start Date:	May, 1999
Total Return:	78.9%
Compound Annual Return:	18.57 %
Worst Drawdown:	10.77%
Sharpe Ratio:	0.68
% of Winning Months:	56.10%
Average gain:	5.84 %
% of Losing Months:	43.90%
Average loss:	-3.70 %
Correlations	
Barclay CTA Index:	+0.64
S&P 500:	-0.06
U.S. T-Bonds:	+0.10
World Bonds:	+0.16
EAFE:	+0.02

Annual Returns Past 4 Years

1999 (partial)	-2.34%	2001	2.21%
2000	43.35%	2002 YTD	25.09%

Past results are not necessarily indicative of future performance.

Results from inception to June 2001 are based on the record of Marc Malek, as principal of Enterprise Asset Management, LLC.

Engineering and Applied Science, and holds a BA in Mathematics from Reed College. While at Caltech, he did extensive research on Neural Networks and Decision Support Systems, and was awarded a grant from the Pentagon through the Caltech Summer Undergraduate Research Fellowship to conduct research on computer-based decision systems.

The partners have built and managed proprietary trading businesses in foreign exchange and derivatives markets in the U.S., Europe, and Asia, which have generated over $200 million in annual revenues and employed 120 people globally.

A free exchange of ideas and information has developed from the partners' long experience working together. This open communication enables Conquest Capital to incorporate the insights gleaned from the principals' years of trading experience.

The Program

The Conquest trading program is based on three broadly defined trading models: short-term opportunistic, medium-term trend following, and short-term counter-trend. The models' positions are completely independent of each other (the average correlation between the models' returns is .20), and their weights are carefully balanced to provide the best risk-adjusted portfolio returns.

While the models look for different opportunities across different time frames, the common thread is their use of underlying volatility as an indicator for trade entry. All of the models enter positions after a period of contracting volatility, and benefit from its subsequent expansion. "As price consolidates around a point and volatility comes off, it usually means the market is positioning for a move. We have found that the biggest and most violent portion of a price move occurs directly after this period of relative quiet, during the first portion of its breakout," says Marc Malek. "In addition, entering positions at low-vol minimizes the risk of being knocked out of the trade by market noise. This strategy allows the Conquest program to replicate a long option portfolio, and thereby provides insurance to portfolios in shock environments or in times of general market uncertainty."

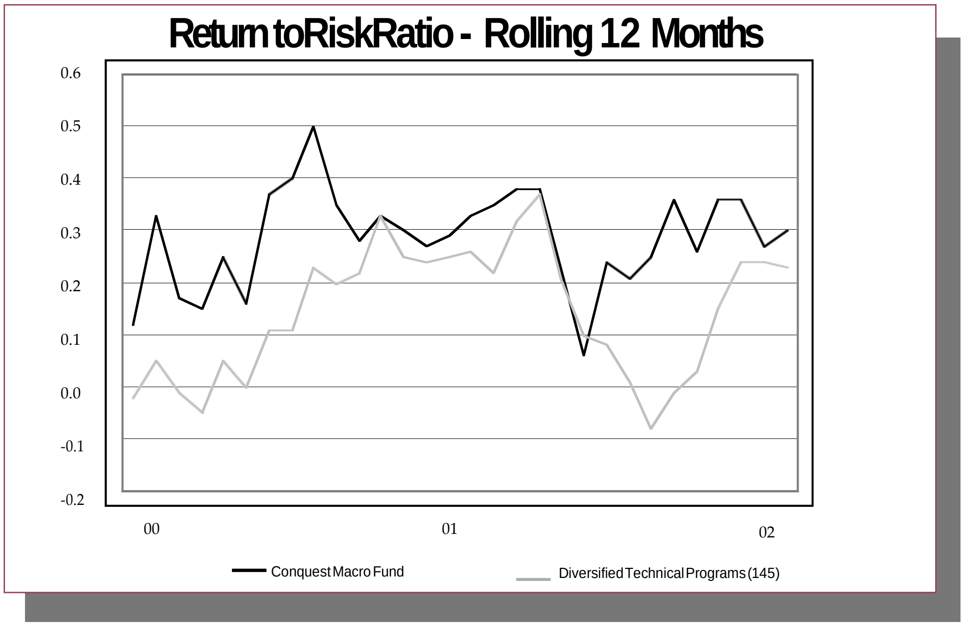


Figure 1

"As price consolidates around a point and volatility comes off, it usually means the market is positioning for a move. We have found that the biggest and most violent portion of a price move occurs directly after this period of relative quiet, during the first portion of its breakout..."

- Marc Malek

"It's important to realize that the trading program is not a substitute for experienced human judgment," says Rich Silver. "The program can do nothing on its own. Experienced traders need to review and monitor the program and are interposed between the program and actually executing orders. The program is a tool to enable us to do our jobs more efficiently and to force us to maintain the discipline that is key to successful trading."

Malek concurs, "The program distills years of our experience trading a wide variety of markets. As we continually improve our own trading skills, we continually improve the program."

Controlling Risk

"Limiting losses is key to superior long-term returns," says Malek. Conquest uses a number of strategies to control risk. First, Conquest trades only in highly liquid markets. In addition, Conquest trades a wide variety of markets, including over 30 foreign exchange and futures markets. The foreign exchange portfolio consists of ten major currencies and currency crosses. The futures portfolio consists of the most liquid fixed-income, energy, metal, and stock index futures, half of which are traded on international exchanges. Besides decreasing overall portfolio volatility, international diversification allows Conquest to mitigate the risk of news-driven price shocks by being able to take offsetting positions in any market sector at any time.

Finally, Conquest firmly controls risk by running tight stops on all positions at all times. As Malek explains, "The programs are designed to calculate stop losses for every position, and we make sure they are executed."

Volatility

While Conquest wins slightly less often than it loses (about 42% of trades are winners), profitable trades are more than twice the P&L of losing trades. Every so often Conquest sees many of its bets win in a big way, usually when several markets have simultaneous violent moves to new equilibria. Conquest runs a long volatility strategy, unlike many funds, such as mortgage funds and relative value funds, which are implicitly short volatility. As a result, Conquest is positioned to benefit from a dramatic expansion in volatility; and when this occurs, Conquest achieves outsized returns. This tends to make the return stream more volatile.

Malek doesn't think this is a bad thing. "This is the kind of volatility we like. Investors shouldn't care about upside volatility as long as we can control downside volatility and have proven an ability to take money off the table and guard our profits, another advantage of our short-term focus. If you really want to look at risk in the CTA world, you should focus on downside volatility, or even better, look at a program's propensity for drawdown (the classic problem of CTAs after they see big profits). Measuring return on a risk-adjusted basis is valuable, but only if you are looking at a true representation of risk."

> ***"It's important to realize that the trading program is not a substitute for experienced human judgment. The program can do nothing on its own. Experienced traders need to review and monitor the program and are interposed between the program and actually executing orders."***
>
> ***- Rich Silver***

Peer Group Comparison

In Figure 1 (previous page) we compare the rolling 12-month risk-adjusted returns for Conquest with those of its peer group, which consists of 145 diversified technical CTA programs. Risk-adjusted returns are calculated by dividing the 12-month rolling average of the monthly returns by the 12-month rolling average of the standard deviation. Since its inception in May 1999, Conquest has exceeded the risk-adjusted return averages generated by its peer group, oftentimes by very significant margins, in all but two of the thirty time-periods. Additionally, Conquest has never had a losing 12-month period. Its worst absolute 12-month rolling return since inception was positive 2.21%, while its best absolute 12-month period return equaled 43.4%.

The risk-adjusted comparison is even more impressive taking into account Conquest's low average 15.5% margin-to-equity ratio, which allows it to scale up its absolute returns based on investor preferences without any borrowing costs. In addition to its main program, Conquest offers a three times leveraged program based on the same investment strategy. ◊

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Conquest Macro Funds:

- Single Leverage Onshore
- 3X Leverage Onshore
- Single Leverage Offshore
- 3X Leverage Offshore

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CAMELOT PARTNERS

Conquest eyes $900m restructuring deal
Posted By Michael Paterakis On September 3, 2019 @ 1:18 pm In News |

Conquest Capital is in the process of restructuring its offering as part of a strategic realignment that will see the New York-based CTA focus more on alternative beta.

The firm is in talks with several institutions willing to provide capital and scale for this move, including other hedge funds and FoHFs. Conquest founder and chief executive Marc Malek is also considering a $900m offer from a large family office.

"We realized that the biggest buyers of alt beta products tend to be large endowments and mutual funds, and you need certain scale to get to them," Malek told CTA Intelligence.

"So, we decided to partner up with a firm with bigger capital base and a very well-known name that would allow us to bypass the gatekeepers to present our idea."

Discussions with suitors are still in progress, but a deal is expected within the next one to two months, according to Malek.

As part of this transition, Conquest is cleaning up its line-up of investment vehicles. In July, the systematic manager liquidated the Conquest STAR Ucits fund, a sub-strategy of its flagship Conquest Macro program, which launched on ML Capital's Montlake platform in early 2017 [1].

Conquest plans to maintain seven key strategies with a multi-year track record broken down into three distinct categories: alt beta, alpha and alt beta-alpha hybrid.

"In each one, we have a couple of different products," said Malek. "We use a very modular approach to portfolio building – none of this is pro forma."

Malek, who established Conquest in 1999, was an ardent proponent of the alt beta concept – also referred as alternative risk premia – describing it in research published as early as 2002 which formed the basis of a low-cost product to replicate trend-following CTA programs.

Risk premia has attracted considerable interest from investors [2] in recent years as a cheaper alternative to traditional CTAs, most of which have disappointed with their performance.

The popularity of these strategies has been a boon for major players in the systematic space such as the Man Group [3] and GAM [4] that have seen inflows to risk premia products offset losses from other units.
———————————————————————————————————————

Harvard Looks to Columbia's Investing Chief for Turnaround Touch
Michael McDonald and Kate Smith, Bloomberg
September 30, 2016

Nirmal P. "Narv" Narvekar overhauled Columbia University's endowment in the past 14 years, building a team that delivered top notch returns and minimized losses during volatile times. Now, he's tasked with doing the same for Harvard University's lagging fund.

Narvekar, 54, on Thursday was named Chief Executive Officer of the wealthiest university fund, which has struggled with a decade of lackluster returns. He starts on Dec. 5. Columbia also said it promoted Peter Holland, the Chief Investment Officer of its endowment since 2003, to CEO.

Not only is Narvekar charged with improving performance, he will be under pressure to revamp operations at Harvard Management Co, which oversees the endowment, at a time when institutional investors face slow economic growth and near negative interest rates around the world. The number of employees already is down to 230 from 280, according to a person familiar with the matter.

Nothing 'Wild'

He may start at Harvard on a cautious note, as his track record shows that he can be more risk averse than his peers at certain times. At the height of the financial crisis in fiscal 2009, Columbia withstood the turmoil better than its rivals. Harvard's fund fell 27.3 percent, the worst among the Ivy schools. Yale University declined 24.6 percent. Columbia dropped 16.1 percent.

"There's nothing wild and crazy about Narv," said Roger Kafker, who was Narvekar's classmate at Haverford College in Pennsylvania, where they both are now on the investment committee of the $460 million endowment. "You'd want Narv overseeing your own family fortune if you could find somebody of his talent, acumen and personality. He has a very steady hand."

Narvekar and his team at Columbia minimized losses in 2008 after reducing risks in the portfolio and allowing less exposure than most of their peers to illiquid assets such as private equity, he said on a panel in 2014 for The Investment Fund for Foundations, according to a podcast posted on the group's website.

"The endowment world did not tend to think a lot about risk prior to the crisis," Narvekar said on the podcast. "Any big endowment should try to have a sense of the risk in their portfolio through whatever framework. We have a framework that we use. It's good for us; it's not good for others. But everyone should have some way of thinking about risk and coming to find out how much risk they have."

Harvard Trails

Narvekar will have his work cut out for him to improve performance. Harvard's average annualized return was 5.7 percent in the decade through June 2016, below Yale's 8.1 percent. Columbia, with a $9.6 billion fund, returned an annualized 10.1 percent in the 10 years through June 2015, the latest available because the school hasn't reported fiscal 2016 returns. Harvard's fund posted a 2 percent investment decline for the year through June.

A former JPMorgan Chase & Co. managing director in the equity derivatives group and the son of an ex-top International Monetary Fund official, Narvekar has an MBA from the University of Pennsylvania's Wharton School.

He left JPMorgan in 1998 to join the University of Pennsylvania's endowment office to lead the effort to expand into private equity and other alternative investments. He's credited with helping turn around Columbia's performance after being hired in 2002, expanding into new asset classes and creating a risk management system to track the many outside managers it invested with. He's known for his quantitative skills and comfort with using complex mathematical models.

Trading Team

Columbia has investments in at least one quantitative fund managed by Conquest Capital Group of New York, according to a tax filing. Many endowments avoid quantitative funds because their strategies are difficult to understand.

The university's investments included almost $1 billion of cash in June of last year, up more than 50 percent from the year prior, according to financial statements.

At Harvard, Narvekar is likely to review Harvard's structure, which uses outside managers but also its own traders. Harvard eliminated at least a dozen positions and dismantled the internal public-equity trading team earlier this year amid reports of steep losses. But it wasn't disbanded altogether.

HMC said the school planned to hire a new head of "absolute return" and publicly traded stocks, replacing Michael Ryan, a former Goldman Sachs Group partner who was among this year's departures. Harvard said its cross-asset public markets platform has been combined with emerging and foreign markets, fixed income, credit and commodities.

Look to Yale

Drew Faust, Harvard's president, said in an interview published Sept. 29 in The Harvard Crimson that the university has looked closely at how Yale oversees its money, which depends almost entirely on farming money out to managers.

"We look to see what choices they've made and how we might learn from them," Faust said in the interview.

"We are pleased to welcome Narv to Harvard and are confident that his leadership skills and deep experience at the highest levels of investment management will position HMC for long-term success," Faust said in the school's statement on Thursday.

For Narvekar's efforts, the paycheck at Harvard is likely to be larger. Former CEO Jane Mendillo was paid $13.8 million in her final year in 2014, though it was inflated by the addition of six months of accelerated bonus pay because of her departure. Narvekar received $7.2million the same year, according to a tax filing.

Harvard's search was its fourth for an endowment chief since 2005. Stephen Blyth resigned from the job for personal reasons in July after only 18 months following an unexpected and unexplained medical leave in May. Robert Ettl, the interim CEO, will become chief operating officer.

"Narv's a really top-notch investor," said Michael Karris, who left Columbia's endowment office in 2010 after five years to start money management company EndowBridge Capital. "He's just a high-caliber individual."

Lebanon wrestles with identity crisis
https://www.thenational.ae/business/michael-karam-lebanon-wrestles-with-identity-crisis-1.187028

Moderated by the impressive Marc Malek, managing partner of the Conquest Capital Group, it was ably supported by among others, the equally influential Naim Abou Jaoude, chairman of New York Life Investment Management International and garnished with the caustic wit of Nassim Nicholas Taleb, guru statistician author of The Black Swan, who called for more diversity in the workforce. Mr. Taleb wanted to see more vocational schools, more entrepreneurship and less of an obsession with a college degree just for the sake of it, reminding the assembled audience that most of the great tech entrepreneurs – Gates, Jobs and Ellison – were college dropouts.

“Your kids will have a better chance of a job even if they may not get invited to dinner as often as they’d like,” he said. It was half-joking, but he highlighted the grinding insecurity that afflicts all Lebanese who equate education with social standing as much as its role in equipping people with tools for life.

But like most discussions on how to make Lebanon punch above its weight, it ran into the wall of reality. Mr. Malek reminded the assembled government guests, including foreign minister Gebran Bassil, that all this talk was hypothetical until Lebanon developed the infrastructure to service a modern business environment, and by that he meant simply having enough bandwidth to conduct a decent Skype call.

My panel’s discussion on how to exploit brand Lebanon pointed out the potential and the pitfalls of changing public perception of Lebanon as a country where bad things happen, to Lebanon, the boutique nation with exquisitely boutique products and designers. But were we Mediterranean or Arab? In other words, should we sacrifice identity for commercial safety? How could we make people fall in love with us through our cuisine and who owned hummus? Well that was always going to come up, wasn’t it? I remember wondering why no one had brought up the Lebanese poet Gibran Khalil Gibran. It was surely only a matter of time.

And there he was, in one of the closing speeches by Lena Diab, a Canadian politician of Lebanese descent, who quoted from Gibran’s “You have your Lebanon and I have my Lebanon” presumably to generate a sense of longing for the home country among the attendees and celebrate the migrant diaspora experience: “They are victorious wherever they go and loved and respected wherever they settle,” she concluded to massive applause.

What Ms. Diab failed to mention, or perhaps didn’t realize, is that Gibran goes on to describe “your” Lebanon as a country of “bragging, lying and stupidity” and of “deceit, cheating and hypocrisy”. And therein lies our curse.

Marc Malek, président sortant de LIFE. Photo Sylviane Zehil

ENTRETIEN

L'influent homme d'affaires passe la main à la présidence de la Lebanese International Finance Executives.

Sylviane ZEHIL à New York | ***OLJ***
06/04/2018

Après un mandat de quatre ans à la présidence du conseil d'administration de la puissante Lebanese International Finance Executives (LIFE) dont il est aussi membre fondateur, Marc Malek se dit prêt à passer à la prochaine étape : s'atteler à « créer un lobby libanais efficace aux États-Unis ayant pour objectif d'aider les Libanais, tout en restant à l'écart de tout ce qui divise ».

Membre fondateur de SEAL et membre du conseil d'administration de l'organisation In Defense of Christians (IDC), basée à Washington, cet ingénieur diplômé de Caltech a mis en place une influente institution financière aux objectifs et stratégie solides tournée vers le futur, avec l'aide d'autres éminents Libano-Américains et d'une équipe composée d'une centaine de bénévoles.

Le consul général du Liban à New York, Majdi Ramadan, et son épouse Vanessa ont organisé, lundi dernier, une réception pour rendre hommage aux réalisations de Marc Malek et pour accueillir aussi la nouvelle PDG de LIFE, Nadine Massoud, femme entrepreneuse basée à Londres.

« C'est grâce à la confiance, au dévouement, au professionnalisme et à la générosité de ses membres que ce qui a commencé il y a neuf ans comme le rêve d'un groupe de cadres financiers libanais s'est transformé en une organisation mondiale et professionnelle avec le personnel le meilleur et le plus diligent », confie M. Malek dans une interview à L'Orient-Le Jour, dans les bureaux de Conquest Capital Group, dont il est membre fondateur et gestionnaire de portefeuilles.

Créée en 2009 par un groupe de visionnaires libanais de la finance, LIFE est une plate-forme influente d'entraide de la diaspora libanaise dans le secteur de la finance. « Sa portée s'est élargie à un nouveau niveau de développement pour inclure d'autres secteurs, tels que les assurances, l'immobilier, le Fintech » qui combine technologie et finance, les sociétés légales et les compagnies à la périphérie de la finance, indique M. Malek.

LIFE, qui a son siège à Londres, compte 250 membres juniors et 850 membres seniors dont 76 contributeurs. En pleine croissance, l'organisation a instauré dix chapitres internationaux avec une « présence efficace » à Genève, Dubaï, Beyrouth, Hong Kong, Montréal, New York, Sydney, Singapour, Los Angeles, Abou Dhabi et bientôt Washington D.C. Ce dernier chapitre sera « composé d'une classe différente de professionnels de la finance libanaise en incluant davantage de banquiers supranationaux, des membres du FMI, de la Banque mondiale, et aussi ceux qui ont apporté une aide précieuse à la politique du Liban ».

Gérer l'échec

Le président de LIFE relève, par ailleurs, « la frustration » que rencontrent les investisseurs dans des sociétés de technologie financière au Liban dans les modèles capital/risque. « C'est une préoccupation dans le cas de fermeture d'une entreprise en cas de faillite », estime Marc Malek. « L'échec est tabou au Liban, mais acceptable pour nous. Nul ne réussit dès le premier jour, dit-il. Tel est le cas de Steve Jobs et Bill Gates. C'est ce que l'on fait après avoir échoué qui fait la différence. »

« Nous travaillons avec les universités et organisons des séminaires pour la gestion de l'échec afin de l'utiliser à son avantage en en tirant les leçons et de passer à l'étape suivante », ajoute-t-il.

LIFE organise de nombreux événements internationaux ainsi que des dîners de gala très courus afin de lever des fonds destinés essentiellement à des bourses d'études en finance. Les recettes ont permis de soutenir 188 universitaires libanais ayant des difficultés financières.

« Nous investissons non seulement dans notre jeunesse, mais aussi dans notre pays », note Marc Malek. Plusieurs initiatives ont été implantées au Liban. « Ce qui a commencé comme un projet pilote avec le Liban pour les entrepreneurs de LIFE est devenu une plate-forme cruciale de mentorat en entrepreneuriat pour les start-up de la technologie au Liban et un tremplin vers la Silicon Valley via Lebnet, notre partenaire, qui est dirigé par George Akiki », indique-t-il. D'un autre côté, en partenariat avec Endeavor Lebanon, l'initiative Investir au Liban a tenu son quatrième sommet mondial en décembre dernier à Beyrouth.

Dans le but de promouvoir la croissance économique au Liban, les membres de LIFE ont eu de nombreuses rencontres avec plusieurs organismes gouvernementaux. Ces rencontres ont abouti à la rédaction d'un « livre blanc » sur la nécessité des réformes. Et pour rehausser l'image du pays du Cèdre à l'étranger et en réponse au rôle plus actif que le gouvernement américain joue dans le monde de la finance, LIFE a créé un conseil honoraire de haut niveau aux États-Unis incluant des politiciens américains d'origine libanaise, dont notamment le sénateur John Sununu, l'ex-secrétaire aux Transports Spencer Abraham et de grandes figures libanaises de la finance internationale. « Nous cherchons à étendre l'invitation à d'autres personnalités », souligne Marc Malek.


THEY WISHED FOR IT
THEY WORKED FOR IT
THEY MADE IT
#the100lebanon

DJIA 26820.25 -0.26% ▼ S&P 500 2961.79 -0.53% ▼ Nasdaq 7939.63 -1.13% ▼ U.S. 10 Yr 0/32 Yield 1.683% ▼ Crude Oil 56.18 0.48% ▲ Euro 1.0939 -0.01% ▼

The nearly $9 billion stock hedge-fund Maverick Capital Ltd. was up 0.7% for the month through Friday, according to a person familiar with the matter, and up 3.4% for the year. Its Maverick Select fund was up more than 10%.

At the New York offices of Conquest Capital Group LLC, a $300 million firm that bets on macroeconomic trends, portfolio manager Jason Ruspini said he was in "good spirits."

Conquest had bets on against indexes including Germany's benchmark DAX and the S&P 500, while wagering on an appreciation in U.S. Treasury bonds. Conquest's main fund is up 7% this month and 11% for the year.

"Our strategy was vindicated," Mr. Ruspini said.

Corrections & Amplifications

Paulson & Co.'s Advantage Fund is down nearly 22% for the year through Oct. 14. An earlier version of this article incorrectly said Paulson & Co.'s loss for the year was 22%.

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Conquest Aims for $1 Billion Mark

Volatility specialist Conquest Capital has launched a fund- raising campaign with the goal of boosting assets under man- agreement to $1 billion.

Since its inception in 2001, the New York firm has focused more on research than marketing. Its five-member investment staff occasionally contributes strategy research to publisher Risk Books and The Journal of Alternative Investments.

But with assets under management approaching $700 mil- lion, Conquest last year hired its first full-time marketer, Jessica Grad, to spread the word about the firm's success during recent market downturns. In 2008, when the average hedge fund fell 19%, the flagship Conquest Macro fund gained a whopping 45%. So far this year, the $475 million fund is up 19%, with half of the gains coming in May — when most hedge funds suffered sharp losses.

Conquest's strategy is to exploit volatility in the stock, bond, commodity and currency markets. Conquest Macro turned in its worst performance last year, losing 14% while the stock market posted strong, steady gains. Since then, Conquest has tweaked its strategy to perform better during periods of rising risk appetite.

The firm has a second fund, Conquest Managed Futures Select, with $170 million under management. Conquest also runs managed accounts for investors that pony up at least $10 million.

Mark Malek founded the firm in 2001. During the late 1990s, he was global head of currency and derivatives proprietary trading at UBS. O

UPDATE 1-Stunned funds get scraps from Dow's plunge

Mon May 10, 2010 4:20pm EDT
* Source says Coffey turned 1.5 pct profit on the week

Regulatory News | Global Markets | Funds News | ETFs News | Financials

* 'Long volatility' funds said to gain up to 10 pct

* Long-only managers avoided roller-coaster markets (Adds details of Conquest Capital fund)
By Laurence Fletcher

LONDON, May 10 (Reuters) - Hedge fund managers and their mainstream peers were left stunned by the dizzying declines on Wall Street last Thursday, but a select few turned a profit, diving in just in time with the right strategy.

The Dow Jones index of 30 blue chip stocks fell by close to 1,000 points on Thursday, a plunge that has left regulators and markets stumped. The finger of blame has pointed at flaws in the structure of markets and at high-frequency trading houses whose computer-driven programmes can make tens of thousands of trades a day. [ID:nN09274100]

But Greg Coffey, formerly of GLG Partners and now a star fund manager at Louis Bacon's hedge fund Moore Capital, made a profit of 1.5 percent last week, sources familiar with the matter said, using the sell-off as a trading opportunity.

The gain came as U.S. stocks ended the week about 6 percent lower, recovering from their steepest intraday fall ever.

New York-based hedge fund Conquest Capital's macro fund turned a 3.75 percent profit on Thursday, and ended the week up about 10 percent not including fees, a spokesman for the firm said.

Conquest Macro uses a systematic short-term trading strategy designed to outperform during periods of high volatility. Thursday's gains came from a combination of existing positions and new trades entered that day across fixed income, foreign exchange and equities.

"As part of the discretionary overlay, we had started accumulating a position in S&P puts in April before the rise in volatility that we hedged on Thursday by buying S&P futures at the depth of the sell-off and height of the madness," the spokesman said.

So-called 'long volatility' hedge funds -- which profit from market turbulence and are often used by investors to hedge their portfolios against big sell-offs -- also did well.

One such fund gained 10 percent last week, said Tim Gascoigne, head of portfolio management at HSBC Alternative Investments. Another manager told Reuters of a 4 percent gain from one fund on the Thursday alone.

"Where they see value in implied volatility in option pricing, they will take these opportunities," Gascoigne said.

'MOST GUYS WERE OK'

The heads of leading U.S. stock market operators were called to Washington for an emergency meeting on Monday, as the Securities and Exchange Commission attempts to unearth the reasons behind the spine-chilling plunge. [ID:nN09274100] Hedge funds wasted time pondering the reasons for the glitch with money to be made -- or lost, of course.

"Some will (have been) rolling up their sleeves and trading the (hell) out of it, others are value-driven," and therefore less likely to act, said one London-based fund of hedge funds manager who declined to be named.

"From what I've seen so far, most guys were OK -- they lost 1 percent or made 1 percent."

However, other hedge funds chose not to risk big losses.

"It's not our style to do something in such high volatility," said one hedge fund executive who spoke on condition of anonymity. "Hedge fund managers will not necessarily want to get involved if they don't know why it happened."

They weren't the only ones.

The speed and surprise of Thursday's sell-off and rebound left most long-termist, mainstream fund managers shrugging their shoulders, and steering clear of the kind of aggressive trading that hedge funds can employ in such scenarios.

'I WAS ON THE TRAIN'

Tom Walker, whose Martin Currie North America and North American Alpha funds LP60010491 LP65095576 did better than most last week, said his portfolios remained unchanged through the tumult. He even left the office at his usual time while speculation raged in New York.

"I don't really have a strong view on the trading debacle. I don't think we've got to the bottom of it yet. We did nothing on Thursday," he told Reuters.

"I don't know who managed to buy Procter & Gamble 37 percent down ... but we didn't," he said.
Peter Kaye's Melchior North American Opportunities fund had a tougher week, but not for trying to hitch a ride on Thursday's roller-coaster.

"We didn't change anything we were doing -- we weren't trading at that time. I was on the train going home."

"It was so short ... If you were very nimble you might have done very well, but our strategy is to buy and hold. We don't tend to watch markets all day long."

"The reward for watching the screen all day long looking for that kind of opportunity is pretty limited. In hindsight it was a pretty good opportunity, but too short to take advantage of." (For the Funds Blog: blogs.reuters.com/fundshub; for Global Investing: here) (Additional reporting by Joel Dimmock and Claire Milhench; Editing by Steve Orlofsky)

Financial crisis' chaos setting stage for bright ideas in money management

Firms find that advances made while digging out from global financial crisis are bearing new fruit

Money managers' unending quest to build a better mousetrap is drawing inspiration from the global financial crisis, with enhanced liquidity, more efficient beta and risk-focused dynamic asset allocation among the themes driving the latest rounds of innovation.

Some market veterans say managers particularly hard hit by the crisis could enjoy some of the more notable advances in coming years: "We're seeing a huge new wave of innovation in quantitative management," as quant firms integrate investment practices they've honed over the years with risk management to produce "first-rate outcomes," said Donald H. Putnam, San Francisco-based managing partner with investment bank Grail Partners LLC.

That marriage of previously developed techniques and risk-management architecture amounts to a "rebooting of quant," after performance woes during the crisis bruised the reputations of a number of firms, Mr. Putnam argued. He cited Conquest Capital Group LLC, Cantab Capital Partners LLP, AlphaSimplex Group LLC, Windham Capital Management LLC and Ryan Labs Inc. as some of the quant firms doing interesting work now.

Opinions on the outlook for broader industry innovation are more mixed.

Some observers expect near-term progress to prove incremental, after investors who adopted newer strategies in the years leading up to 2007 — such as portable alpha — suffered badly when markets imploded.

With investors still licking their wounds, "the innovation boat is unlikely to be pushed out too far" over the next two or three years, concluded a June report commissioned by Principal Global Investors and Citigroup. Pension clients may well set higher hurdles when evaluating new products, with more stringent examinations of their risk-return profiles and insistence on "a strong overlay of human judgment," the report said.

Not true

"I don't think the crisis is throwing up much in the way of true innovation" compared — for example — to how the introduction of derivatives set the stage for a decade or two of new approaches in constructing investment strategies, noted Andrew Kirton, Mercer LLC's London-based global chief investment officer, investments.

Still, the uncertainties clouding the outlook for mainstream assets such as bonds are prompting investors to think “laterally and broadly, and be more open to ideas than they were a number of years ago,” he said.

For example, investors have proven more willing to adapt tried and true ideas to new markets, Mr. Kirton said, pointing to the recent launch of “friendly” activist funds — as opposed to the arm-twisting variety — targeting investments in cash-rich midcap and small-cap Japanese companies.

Investors have likewise been looking at a growing number of private debt vehicles launched to fill the lending gap left by leverage-scarred banks, he said.

That interest is a sign of institutional investors being “much more nimble, trying to identify opportunities as they arise, even if they don't fit cleanly into traditional buckets” such as hedge funds or traditional private equity, said Erik Knutzen, CIO of investment consultant NEPC LLC in Cambridge, Mass.

Leo de Bever, CEO of Edmonton-based sovereign wealth fund Alberta Investment Management Corp., said that to earn above-market returns for the alpha portion of his C$68 billion (US$71 billion) fund, AIMCo's staff is increasingly getting into the “messy” work of seeking out niche opportunities that straddle traditional asset classes. As examples, he cited his team's pending investment in a Brazilian barge company being launched to fill a need in the local economy that wasn't being served, and a 25,000-hectare land purchase in Australia connected with a government-sponsored tree-planting program that had gone bankrupt and required a long workout period.

Some market veterans argue the recent crisis accelerated acceptance of previous rounds of innovation. The continued rise of non-cap-weighted indexes as a means of getting more efficient market exposure is one of a handful of trends driving change now, noted Ronald G. Layard-Liesching, founder of Bellevue, Wash.-based Mountain Pacific Group LLC.

Jason Hsu, chief investment officer of Newport Beach, Calif.-based Research Affiliates LLC, said investors' disappointment with the performance of their active managers in 2008 has helped stoke that interest, bringing alternatives to capitalization-weighted indexes — a sector his firm's “fundamental indexes” helped launch in 2004 — that much closer to the mainstream.

Those non-cap-weighted alternatives — for equity and increasingly for fixed-income indexes as well — are “really flooding the market,” reaching a critical mass that will lead to a “fundamental shift in the industry,” he argued.

Research Affiliates will introduce its own non-cap-weighted sovereign bond indexes later this year.

An alternative

In April, meanwhile, State Street Global Advisors launched an exchange-traded fund based on a non-cap-weighted alternative for corporate credit, the SPDR Barclays Capital Issuer Scored Corporate Bond index, which was based on research done by SSgA, said Kevin D. Anderson, the firm's London-based global chief investment officer for fixed income and currency.

While maintaining the sector weightings of market-cap weighted indexes, the CISC index screens potential constituents for inclusion, every six months, by criteria that include return on assets and interest coverage — leaving the top 10 issuers with 3.5% of the index, compared with 22% for the cap-weighted index. With the likely end of a decades-long credit rally looming, the need for investors to pay more attention to the “idiosyncratic” risks of corporate bond issuers prompted the firm's research efforts, Mr. Anderson said.

In addition to the rise of non-cap-weighted indexes, continued gains by “rules-based” investment strategies, such as ETFs, at the expense of active managers is another important trend, said Mr. Liesching. The most far-reaching changes, however, could result from the replacement of fixed asset allocation policy portfolios with more dynamic, risk-driven approaches, he said.

That risk-focused approach requires a commitment to find “meaningful definitions of asset classes,” noted Andre F. Perold, CIO of Boston-based outsourced CIO firm HighVista Strategies LLC. He called the use of private equity or hedge funds as asset allocation categories “complete nonsense,” on par with deciding to allocate a portion of one's portfolio to mutual funds.

However, defined, investors increasingly are looking for managers that can provide multiasset-class capabilities and have a “solutions-driven type of discussion,” noted Barbara McKenzie, chief operating officer with Principal Global Investors, Des Moines, Iowa.

Executives with a number of firms, when asked about their newer offerings, talked about such multiasset-class products.

Jeffrey Geller, a managing director with New York-based J.P. Morgan Asset Management and Americas CIO of its global multiasset group, said his firm is establishing credit partnerships with clients that will leave his team positioned to respond to dislocations as the environment evolves through a market cycle.

Within these relationships, the group can allocate opportunistically in an environment where opportunities often last too briefly for more traditional institutional investment processes to be effective.

Early last year in the U.S., Morgan Stanley Alternative Investment Partners, a division of Morgan Stanley Investment Management, began offering similar partnerships for the alternatives portion of institutional portfolios. A dynamic opportunity set in that market segment has buoyed demand for more active management of non-traditional allocations, noted Jacques Chappuis, a managing director and head of AIP.

PERFORMANCE

Relief for beleaguered Conquest after 6% week

A STORMING FINAL WEEK OF February has reduced heavy YTD losses at New York-based Conquest Capital’s managed futures fund by over six percentage points, seeing it finally surrender the dreaded ‘worst per- former’ tag at one well-known industry rankings list.

According to investor documents from HSBC Private Bank, the $258m Conquest Macro Fund was up 4.26% for the month as of 27 Feb, having been at -1.81% MTD seven days earlier.

The gain of 6.07 percentage points has now reduced its YTD losses from 15.80% as of 20 February to 10.60%, meaning it has been replaced at the top of HSBC's Bottom 20 Funds of 2013 by Henderson Global Investors' European absolute return strategy.

Conquest Macro's February gain would likely put it among the best performing funds in the industry last month. Hedge Fund Research's global daily index had the average hedge fund at 0.43% last month while its HFRX Macro/CTA index fared worse still, posting a -0.09% return. t.griffiths@hfmweek.com

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Fund bears lead the pack in volatile markets

By Sam Jones in London

Published: July 19 2010 22:58 | Last updated: July 19 2010 22:58

Bearish hedge fund managers are making their biggest gains since the collapse of Lehman Brothers. Only a handful of hedge fund managers have made money in May and June, when many of the industry's biggest names were caught out by a sharp rise in market volatility.

Autonomy Capital, the $1.7bn macro fund run by former Lehman trader Robert Gibbins, is up 17 per cent so far this year, according to an investor in the fund. The fund has profited from short positions against the euro and European sovereign credit.

Other large funds to have done well include the $7bn BlueCrest Capital International, the flagship fund of London-based BlueCrest, run by former JPMorgan trader Mike Platt. The fund, which focuses on trading fixed income, was up 10.16 per cent as at 9 July, thanks largely to its bearish positions in sovereign credit. Mr. Platt was not a believer in the global economic recovery, said a person familiar with the fund.

The $500m Conquest macro fund was up 22 per cent as at the end of June thanks to its bearish outlook, though it has given back around 7 percentage points this month.

GLG Partners' $160m macro fund was another winner, up 8 per cent in May alone thanks to short positions against so-called commodity currencies including the Australian and Canadian dollars.
The average hedge fund lost money in both May and June, according to Hedge Fund Research and is down 0.21 per cent so far this year.

Macro funds – which aim to profit from shifts in the global economy – have been among the most disappointing performers. The average macro hedge fund is down 1.16 per cent so far this year, in spite of some of the biggest market opportunities in decades, according to traders.

Big macro funds such as Brevan Howard, Tudor Investment and Moore Capital have all seen lackluster or negative returns. Brevan Howard, which manages $27bn and is Europe's biggest hedge fund, is up 1.39 per cent so far this year, according to an investor after returns of 1.31 per cent in June.

Only dedicated short sellers – funds that only bet on falling prices – have fared well in May and June. On average, they returned 3.6 per cent in June and 7 per cent in May amid declines in stock markets in

Europe and the US. The strategy is still down 3.35 per cent on the year, however, and many managers have yet to make back losses suffered in 2009.

BUSINESS NEWS

JULY 9, 2010 / 1:20 PM / 9 YEARS AGO

Analysis: Hedge funds bank on a second-half jolt

Emily Chasan, Svea Herbst-Bayliss

8 MIN READ

NEW YORK/BOSTON (Reuters) - The first half of the year was a tumultuous one on Wall Street, but just going by the numbers it was a ho-hum period for most hedge funds with many managers posting flat to slightly lower returns.

To date, the average hedge fund is down 1.45 percent, according to data released by Hennessee Group LLC on Thursday. But compared to the 7.6 percent decline in the Standard & Poor's 500, the lackluster performance of the $1.6 trillion hedge fund industry doesn't seem so shabby.

Still, for wealthy investors, pension funds and university endowments, all of which have come to expect hedge fund managers to make money in both good and bad markets, simply posting smaller losses than a benchmark index may not cut it.

And that means in the second-half of the year the pressure will be on managers, many of whom are still trying to regain their investors' confidence after a brutal 2008 that led to many fund liquidations, to end 2010 firmly in the black.

Even star managers like John Paulson whose investors celebrated his double digit returns in 2008 and 2007, may be feeling the heat. This year, Paulson's flagship Paulson Advantage fund is down nearly 9 percent.

"A lot of funds rebounded last year from 2008, but if an investor is looking at them over a three-year-period and they are flat this year, they're not making money," said Jayesh Punater, founder of Gravitas Technology, which provides financial services to hedge funds.

The fear for many managers is that if they can't turn things around in the second-half, investor redemption requests could surge in December and reverse the trend of new money coming into the industry.

Already, investors have sent roughly $24 billion into hedge funds in the first five months of 2010, about the same amount they added in the last four months of 2009, according to data from TrimTabs.
To be sure, hedge fund managers had to navigate their way around a lot of obstacles and unforeseen events in the first six-months of the year.

Concerns about Europe's sovereign debt, the impact of financial regulatory reform on bank earnings, the potential for a double-dip recession and the still unexplained reasons for the May 6 flash crash all have played havoc with various investing strategies. The first-half has been a particularly rough one for funds focused on pro-growth, global macro and currency strategies.

“The noise quotient in the market has been very high this year and it is hard to make money when there is that amount of underlying volatility,” said Jason Bonanca, head of strategy and research for hedge fund MKP Capital Management in New York.

FLAT IS THE NEW UP (AGAIN)

But ultimately managers, who are often paid a 2 percent management fee and take 20 percent of annual profits, will have to justify those high fees with returns to their investors, who might have made more in a bank account even in times of low interest rates.

“People who are flat are not going to be happy but given all the headwinds that you’ve seen this year, what’s important is they haven’t lost their capital,” said Robin Lowe, head of equity hedge for the United States and Europe at Man Group (EMG.L). “This industry’s about long term capital growth, and that also means capital preservation... If you are flat to slightly positive on the year and indexes are down around 10 percent, that’s a pretty good outcome.”

WHAT WORKED

Still, some strategies have found positive territory.

Investors who bet on corporate debt have fared better than most, as fixed income funds were up 5.69 percent in the first half, according to numbers released by the Hennessee Group.

Distressed investing also fared well in the first half of 2010, with distressed global security funds up 6.86 percent on average through June, according to data from HSBC Private Bank.

But some experts feel those strategies have run their course and forecast that investors will put their money into other strategies, favoring managers who select stocks, bet on big events like mergers and get the global bets on currencies and interest rates right.

“The hottest strategies right now are event driven, equity long short and global macro,” said Carrie McCabe, who founded Lasair Capital after running Blackstone Alternative Asset Management and FRM Americas.

While global macro funds on average are flat according to Hennessee, several macro-oriented funds have seen out-sized returns.

Autonomy Capital which oversees about $1 billion, is up 17 percent since January after gaining 3.6 percent in June, people familiar with the fund’s returns said. New York-based hedge fund Conquest Capital Group’s macro fund is up more than 20 percent this year, making it the top performing fund tracked by HSBC so far this year.

Conquest, which manages $765 million in assets and also performed well in 2008, says its short-term trading strategy for futures and currency is designed to outperform in periods of high volatility. The fund, founded by UBS veteran Marc Malek, managed to take profits as markets were collapsing during

the flash crash, and also benefited from bets made to capture further stock market declines in May and declines on the Euro and British Pound in the first half of the year, it said.

“This is really a great time to be in macro — this amount of imbalance is what generates returns over the long haul,” said MKP’s Bonanca.

On the event-driven side, James Dinan’s York Capital has gained roughly 25 percent over the last 12 months, people familiar with the $14 billion New York-based fund’s performance said. Part of the reason event-oriented managers could deliver big gains in the second half of the year is that worldwide growth hasn’t picked up as quickly as many had expected, leaving companies ready to grow by acquisition.

INVESTORS TAKE A SECOND LOOK

In spite of the flat returns, demand for hedge funds has actually grown again since the financial crisis and is expected to pick up more in the second half of the year and into early 2011, investors and industry analysts said.

“These days investors are asking themselves where do you put your money? Cash yields you nothing and real estate is not doing particularly well either,” said Lasair’s McCabe. “That leaves stocks and hedge funds,” she said.

As investors scout for investments, they will have plenty of new managers to choose from as a bevy of industry veterans are spinning out of their old firms to launch their own.

“Quite a lot of managers are leaving their firms and going out on their own and at the banks a lot of people are concerned about the Volcker role and hence are looking to open their own shops,” Gravitas’ Punater said, noting most recent launches have been in the $100 million to $500 million range, while a handful of new managers have raised over $1 billion.

But the question remains how much money these relative newcomers will be able to raise. Some industry analysts said that in uncertain times they would prefer to go with blue-chip managers who boast a longer track record and have weathered storms before.

“I like having money with people who have been through changing times before,” McCabe said.

Reporting by Emily Chasan and Svea Herbst-Bayliss
Our Standards:The Thomson Reuters Trust Principles.

BARRONS

FUNDS

Lousy End to First Half Doesn't Bode Well
By Jack Willoughby
Updated June 26, 2010 12:01 am ET / Original Sept. 28, 2019 2:27 pm ET

Table: May Hedge Funds: Best, Worst, Biggest

HEDGE FUNDS COULD BE in for a bad year, because the European sovereign-debt crisis and recent "flash crash" have revived risk aversion. So says Marc Malek, managing partner of Conquest Macro Fund, a commodities trader running $500 million.

"We're not necessarily looking for a repeat of 2008, but the problems both in Europe and America are so large that they cannot be ignored," says Malek, 40. "I'm one of the ones who believe we are headed for a double-d

So far, the data back him up. Hedge funds will likely finish the first half of 2010 this week with virtually zero returns, giving up gains made earlier in the year, says Ken Heinz, president of Hedge Fund Research. HFR's composite Hedge Fund Index gained 0.86% as of May 31, compared with the Standard & Poor's 500's loss of 1.49% over the same span.

Malek's Conquest Macro Fund was up 19% as of May 31, thanks to strong foreign-exchange profits. Macro funds generally were off 0.59%, according to HFR.

Risk appetite has diminished across the globe as more economies have faltered, a fact that hedge funds—with their heavy market exposures—seemed ill-prepared for. Says Malek: "There's increased concern about any default's effect on nascent recovery." And with hedge-fund performance also faltering, Malek says that the current fee structure of 2% of assets and 20% of gains is a "rip-off" of pension funds and wealthy investors: The hedge funds are not living up to their mandate to make money in all markets, even risk-averse ones.

Conquest Macro runs a risk index published by Bloomberg that gave a strong indication of rising risk aversion back in May, when the flash crash occurred. Risk-seeking has been mostly the rule since December 2008, says Malek.

The flash crash also offered an ominous view of modern systems trading. Most of the trading done on the major exchanges follows algorithmic patterns set up by proprietary-trading desks. Each system uses its own circuit breakers, and shuts down at the first sign of trouble. Simultaneous shutdowns, says Malek, will cause more flash crashes.

There were some hedge funds that performed strongly in 2009: those that invested to profit from credit improvement and the increasing flow of deal transactions, a trend that continued into 2010. First-half winners in this topsy-turvy environment included special-situation funds. HFR's private issue/Reg D offerings rose 7.13% through May 31. Distress- and restructuring-focused funds rose 4.73% through May 31. Surprisingly, short-biased funds lost 5.67%.

HFR's Heinz notes that bigger funds showed slightly higher average returns. Bigger funds also benefitted from investors' risk aversion: They're viewed as more established—and safer.

One standout performer was long-short fund Senvest Partners, with assets of $250 million and a 20% gain through May 31. Richard Mashaal, portfolio manager, says Senvest invested in tech stocks like SanDisk (ticker: SNDK) and Radware (RDWR), and mortgage insurers, such as Genworth Financial (GNW). "We've done pretty well taking the other side of the fear trade," says Mashaal. "The trick is not to get too greedy." A particularly astute purchase was **Royal Bank of Scotland** $25 (RBS.M) preferred shares, bought for about $8 each in the dark days, and tendered for $14 in April. Mashaal says he also has started investing in shares of Banco Santander (STD).

Les banquiers et financiers libanais de LIFE à l'assaut des États-Unis

Solidarité Après Londres, Dubaï, Paris, Beyrouth et Genève, la Lebanese International Finance Executives (LIFE), une puissante plate-forme d'entraide groupant toute la diaspora libanaise du monde de la banque et de la finance vient de lancer sa nouvelle opération new-yorkaise sous la houlette de Marc Malek.

NEW YORK, de Sylviane ZEHIL

Le coup d'envoi a été donné à l'occasion d'un dîner organisé au célèbre restaurant Dili à New York en présence d'une quarantaine de banquiers et de financiers, tous d'origine libanaise.

Paul Raphaël, le fondateur de cette organisation à but non lucratif et actuel responsable de la nouvelle division de gestion de fortune pour les marchés émergents de la banque suisse UBS, n'a pas manqué de faire le voyage de Londres pour présenter les objectifs, la vision et les réalisations de cette importante organisation qui a fait tache d'huile.

Le comité de l'opération new-yorkaise est composé de grands pontes de la finance et de la banque, à savoir : Bernard Abdo (Deutsche Bank), Philippe Assaily (Dynamic Capital), Joseph Audi (PDG Intercredit Bank NY), George Bitar (GMN Partners), George Boutros (Qatalyst Partners), Jean-Pierre Daccache (qui vient de s'établir à Genève, HSBC), Habib Kairouz (Rho Capital Partners), Marc Malek (Conquest Capital Group), Karim Tabet (Tap Global), Tony Tamer (HIG Group) et Riad-Rudolph Younès (Arrie Global).

Étaient notamment présents à la soirée, la plupart des membres du comité et aussi Raymond Debbané, Mohammad Ousseimi, Karim Awad, Waël Chehab, Michel Brogard, Ahmad Deek, Mazen Jabban, Terence Kawaja, Karim et Samer Nouli, Kamal Salamé, Scott Sehugh, Nadim Barakat, Ziad Alameddine, George Asmar, ainsi que Rouane Nahas (venue spécialement de Londres pour l'occasion), Rima Mouawad et Amal Moussa.

L'union ne fait-elle pas la force ? C'est dans l'adversité que les Libanais de la diaspora ont bien compris ce fameux adage

L'union ne fait-elle pas la force ? C'est dans l'adversité que les Libanais de la diaspora ont bien compris ce fameux adage. « Travailler ensemble pour bâtir des liens plus solides, promouvoir le Liban et préparer la génération future » est la devise de cette organisation. C'est pourquoi ces grands financiers, devenus citoyens du monde, se sont mobilisés pour former un puissant groupe de pression international, créer un réseau de communication et préparer l'avenir.

1,5 million de dollars de bourses universitaires

Lors de sa présentation, Marc Malek a dégagé les objectifs, la vision et l'action de cette nouvelle plate-forme pour travailler de concert afin de renforcer les liens, lever des fonds, développer les affaires, coordonner les domaines de l'expertise et aussi élever le niveau du Liban, promouvoir le pays du Cèdre comme place financière, et organiser des événements. Paul Raphaël a, pour sa part, expliqué les étapes parcourues depuis la création de LIFE en 2009 à Londres. Ce qui a permis d'ouvrir la voie à la nouvelle génération dans ce domaine. Dans son exposé, il a mis l'accent sur « les piliers de base pour la formation de la génération future de Libanais », en offrant aux étudiants qualifiés des bourses d'études permettant d'accéder à un enseignement supérieur dans des universités internationalement reconnues, en les aidant à trouver des stages dans des institutions financières et en appliquant les principes du « mentorat professionnel » en finance.

Paul Raphaël a annoncé avoir levé, lors des dernières activités organisées par LIFE, la somme de 1,5 million de dollars. Cette levée de fonds a permis d'offrir huit bourses d'études d'une valeur de dix mille dollars chacune, attribuées à des étudiants qui suivent leurs études à l'AUB. « Nous sommes en pourparlers avec de grandes institutions américaines pour qu'elles acceptent des étudiants libanais. Nous avons pu offrir dix stages, quinze mentorats, vingt séances de coaching individuel, six séminaires de perfectionnement professionnel », a indiqué George Bitar dans un entretien accordé à *L'Orient-Le Jour* à New York. Cet ancien responsable à Merrill Lynch, qui vient de fonder son propre fonds, GMN Partners, a accrédité le chapitre américain de LIFE. « Notre programme de bourses universitaires a été entièrement appliqué », a-t-il souligné.

Mme Joumana Abu Haidar, qui a une grande expérience dans ce domaine, a été nommée pour prendre en charge la direction de ce programme basé à Beyrouth. Les détails du processus de sélection et des requis sont décrits sur le site Web www.lifelebanon.com

300 membres inscrits

Le bureau de New York vient de lancer ses assises. Le train est en marche. « Après New York, LIFE s'étendra dans le reste du pays », a indiqué George Bitar. LIFE compte aujourd'hui 300 membres. Les demandes de 300 autres sont en cours d'étude », a-t-il affirmé.

Renforcer les liens, lever des fonds, développer les affaires, organiser des événements, mais aussi promouvoir le pays du Cèdre comme place financière

Quels sont les critères de sélection ? On peut devenir membre par invitation ou par référence ; être d'origine libanaise ou marié à une personne d'origine libanaise ; être haut cadre exécutif de la finance internationale, être basé en dehors du Liban, ayant au moins sept ans d'expérience de haut niveau en finance.

Les professionnels qui comptent moins de sept ans d'expérience ont l'option d'être « membres juniors ». Les membres permanents sont ceux qui élisent les membres du conseil. Le président et les autres membres du conseil sont élus pour deux ans, renouvelables une seule fois. LIFE compte des comités à Londres, Dubaï, Genève, Paris, Beyrouth et maintenant New York, a indiqué ce gourou de la finance.

LIFE, qui a son siège à Londres, bénéficie du soutien et du parrainage d'un grand nombre d'institutions et de banques libanaises, ainsi que de la Banque centrale du Liban. Son conseil d'administration est composé de 14 membres éminents de la diaspora libanaise comprenant Camille Abousleiman (Dewey & Leboeuf, Londres), Gérard Aquilina (Barclays, Londres), George Bitar, Carl Fakhry (Goldman Sachs, Londres), Farès Fares (Wedge Alternatives, Londres), Jean-Pierre Daccache (HSBC, Genève), Habib Kairouz, François Kayat (Lazard, Paris), Fawzi Kyriakos-Saad (Crédit suisse, Londres), Paul Raphaël, Rana Raphaël Nahas (BLF, Beyrouth), Bassam Yammine (Crédit suisse, Dubaï), Riad-Rudolph Younès. Son conseil consultatif (Advisory Board) est formé de leaders libanais de la finance et de l'industrie, comprenant notamment M. Carlos Ghosn, PDG de Renault et Nissan, Raymond Audi, ex-ministre et PDG de la Banque Audi, Adnane Kassar, ex-ministre et PDG de Fransabank, Samir Brikho, directeur général d'AMEC, une société du FTSE 100, et lord Peter Palumbo, membre à la Chambre des lords.

Une dynamique est mise déjà en place. Outre la publication semestrielle de sa « newsletter » et l'organisation périodique de rencontres entre membres pour un meilleur « networking », LIFE organise des événements qui attirent les stars de la finance. C'est dans cet objectif que le dîner de gala annuel se tiendra le 19 mai à Whitehall Palace, à Westminster, avec, pour invité d'honneur, Thomas J. Barrack. Un bien bel exemple à suivre.



Les trois cofondateurs de LIFE-USA, de gauche à droite, Marc Malek, Habib Kayrouz et Georges Bitar.


TOP TRADERS
UNPLUGGED
EP
031
MARC
MALEK
CONQUEST
CAPffAL GROUP
500 Index
1165.69
+11.64 +1.0%

أبو شديد: للبنان في الكونغرس خزان من النيات الحسنة

أميركيون من أصل لبناني ينشطون في نيويورك لتشكيل لوبي مالي

□ واشنطن - احمد المختار

■ يشكل الأميركيون من أصل لبناني قوة ناخبة لها وزنها في الحياة السياسية الأميركية إذ تشير التقديرات إلى أن عددهم يتجاوز المليونين. ومنذ خمسينات القرن الماضي لم يخل الكونغرس الأميركي من وجود نائب في مجلس النواب او سيناتور في مجلس الشيوخ من اصول لبنانية. وفي الكونغرس الحالي ستة نواب من اصل لبناني وسناتور واحد في مجلس الشيوخ. وبحسب السفير اللبناني في واشنطن انطوان ابو شديد فإن لبنان يملك في الكونغرس الأميركي خزاناً من النوايا الحسنة، على المنظمات الأميركية اللبنانية وكذلك السفارة الحفاظ عليه وتغذيته.

وتصديقاً لكلام السفير وقف اعضاء الكونغرس الأميركي الأربعاء الماضي دقيقة صمت تضامناً مع لبنان وتحية لضحايا التفجيرين الإرهابيين في برج البراجنة في ضاحية بيروت الجنوبية. وجاءت هذه المبادرة بناء على طلب من «الكوكس» اللبناني الأميركي الناشط في واشنطن والذي يضم نحو عشرين عضواً في الكونغرس يعتبرون انفسهم من أصدقاء لبنان بينهم الأعضاء ذوو الأصول اللبنانية.

وتاسس «الكوكس» اللبناني الأميركي قبل اربع سنوات خلال اجتماع عقد في مقر السفارة اللبنانية في واشنطن برعاية السفير الذي يعتبر ان اعضاء «الكوكس» يشكلون راس حربة اللوبي اللبناني، لما يتمتع به هذا التجمع المؤيد لقضايا لبنان من نفوذ قوي في الكونغرس الأميركي المركز الرئيسي لصناعة القرار السياسي الأميركي. وكان لأعضاء «الكوكس» دور اساسي قبل سنوات قليلة في إلغاء قرار تجميد المساعدات العسكرية الأميركية للبنان على رغم الضغوط التي مارسها حينها اللوبي الإسرائيلي.

ومع ذلك لا يرى السفير اللبناني انه يمكن الحديث عن لوبي لبناني منظم في الولايات المتحدة على غرار اللوبيات الكبيرة التي تتمتع بنفوذ قوي في دوائر القرار الأميركي ويفضل الحديث عن دور مؤثر لأميركيين من أصل لبناني يتبوأون مراكز حكومية مهمة في الإدارة الأميركية والكونغرس إضافة إلى جهود لبنانيين ناجحين سواء في المهن الحرة أم في التجارة أم في الأعمال.

من هؤلاء الشاب مارك مالك العامل في الأسواق المالية في نيويورك إضافة إلى نشاطه في مجموعة «لايف» اللبنانية التي تاسست عام ٢٠٠٩ وتضم حالياً نحو ٨٠٥ أعضاء يعملون في المراكز والمؤسسات المالية الدولية وتتوزع مقارها، إضافة إلى نيويورك، في دبي ولندن وباريس وجنيف وهونغ كونغ.

الشاب الأميركي ذو الأصول اللبنانية ادرك من خلال عمله في نيويورك الدور الكبير الذي يلعبه الأثرياء في صناعة السياسة في الولايات المتحدة من خلال دورهم الرئيسي في تمويل الحملات الانتخابية لمرشحي الحزبين الجمهوري والديموقراطي. ويفرض القانون الأميركي على المرشحين للانتخابات تنظيم حملات لجمع التبرعات من أجل تمويل حملاتهم الانتخابية. وعلى هذا القانون تستند اللوبيات النافذة في التأثير على القرارات السياسية.

يقوم مالك حالياً مع مجموعة من الأميركيين من أصول لبنانية بتأمين التمويل اللازم لتنظيم حملات انتخابية لأعضاء في الكونغرس من أصول لبنانية، وكذلك لأعضاء آخرين يتأثرون باتجاه تصويت الناخبين من أصول لبنانية، خصوصاً في ولايات مثل ميشيغان، كاليفورنيا، لويزيانا، تكساس، فلوريدا ونيويورك. الهدف الذي يسعى مالك إلى الوصول إليه هو تأمين مصالح الأميركيين من أصول لبنانية في الولايات المتحدة وحماية حقوقهم وحثهم على المشاركة في الحياة السياسية وخصوصاً العملية الانتخابية.

يتجنب الجيل الشاب من الأميركيين ذوي الأصول اللبنانية الدخول في تفاصيل الانقسامات السياسية والطائفية القائمة في لبنان. ويؤكد مالك أن مساعيه لتشكيل لوبي لبناني في الولايات المتحدة هدفها مصالح اللبنانيين المقيمين في الولايات المتحدة ولا تتحرك وفق أجندات الطبقة السياسية الحاكمة في بيروت.

هذا الخوف من الغرق في «وحول» السياسة اللبنانية عبر عنه أيضاً السفير أبو شديد الذي لاحظ أن الجالية اللبنانية ابتعدت عن تلك «الوحول» في السنوات القليلة الماضية بعدما كانت الانقسامات والصراعات الطائفية في الماضي تنعكس في شكل سلبي على الجالية ووحدتها وتعرقل الجهود المبذولة لتنظيم الحضور اللبناني في الولايات المتحدة والاستفادة من قوة اللبنانيين الاقتصادية والانتخابية من أجل تشكيل لوبي يعمل خدمة لمصالح اللبنانيين في اميركا ولبنان، خصوصاً تلك التي تلقى إجماع كل اللبنانيين مثل المساعدات العسكرية الأميركية للجيش اللبناني والقوى الأمنية اللبنانية ودعم القطاع المصرفي اللبناني والمساعدات الاقتصادية للبنان.

وفي العقود الماضية بذلت جهود من اجل تنظيم قوة الأميركيين من اصول لبنانية وتاسست منظمات اميركية لبنانية عدة منها المركز اللبناني للمعلومات، والتجمع من أجل لبنان، والمعهد الأميركي اللبناني للسياسة وغيرها. لكن قوة اللوبي اللبناني في واشنطن لم توازِ يوماً حجم وقوة حضور الجالية اللبنانية في الولايات المتحدة لجهة تزايد عدد الأميركيين من أصول لبنانية، وتاريخ هجرتهم المبكر إلى القارة الجديدة وانخراطهم اللافت في مختلف مناحي الحياة الأميركية اقتصادياً واجتماعياً وثقافياً. وتعتبر جهود المنظمات والهيئات اللبنانية للتأثير في الشأن العام الأميركي حديثة العهد، إذ يعود زمن تأسيسها إلى سبعينات القرن الماضي، أي بعد مرور أكثر من مئة عام على وصول أول مهاجر لبناني «١٨٥٢» إلى بوسطن في ولاية ماساتشوستس.

5.12.15

Marc Malek

Marc Malek, managing partner

Spotlight: Conquest Capital

Conquest Capital's trend "index fund" pioneer Marc Malek discusses the commoditisation of trend-following, and how analysis of market risk appetite has helped his firm return to the top of the short-term trading league tables

It will be ten years in June since Marc Malek's New York-based Conquest Capital launched its CTA replication program, Conquest Managed Futures Select (MFS).

MFS was one of the first in a slew of such products that have since come to the market, particularly in the '40 Act space recently. And Malek's approach, to develop an "index fund" of trend-following, pre-empted a debate that has come to the fore in recent years: is trend-following largely a commoditised beta strategy? And should investors pay 2/20 for it?

In 2004, Malek coined the term "exotic beta" to describe a persistence of behaviour in a number of hedge fund strategies, notably among longer-term trend-following CTAs. "Smart beta" and "alternative beta" have since joined the lexicon.

In the course of developing more models and considering improvements to Conquest's flagship Macro CTA strategy, Malek was examining its long-term trend component.

While believing that longer term trend-following was a great diversifier, Malek concluded it was not what is typically considered an alpha strategy. Cross-correlation analysis on each area of hedge funds revealed something he recalls was "quite stunning".

"All these strategies sold themselves as alpha strategies," he says. "But if they were all really alpha strategies then you would expect very little cross-correlations among the managers."

What Conquest found was the opposite. And one sector of hedge funds that had the highest cross-correlations was trend-following CTAs.

Malek says the correlation analysis indicated that the best opportunity for alpha existed in the short-term trading space, where there were more options to trade. And he saw an opportunity to differentiate Conquest from his competitors, by making Conquest Macro a strictly short-term strategy.

"I came to the conclusion that in order to differentiate ourselves, what we were going to do was to jettison the long-term trend-following component of what we did; given that I thought it was mostly exotic beta and that people could get it in a different, more efficient way."

Malek's conclusions were summarised in a paper that came across the desk of one of the largest Ivy League universities. They agreed with the premise and approached Conquest in early 2004 about starting a fund. But with three conditions.

One was that it had to be completely non-optimised: freely delivering trend-following beta. It also had to be 100% transparent, so no "black box". It had to have a flat management fee with no incentive fee. And more importantly, says Malek, it had to deliver the CTA space to them.

"It was an interesting exercise for us; not a great money generator at the time but nevertheless, from an intellectual level, an interesting exercise."

Hedge fund replication

In 2004, few were talking about hedge fund replication. Mount Lucas Management had developed a moving average futures index in the late 80s, and Bridgewater had been publishing research in the area. But Conquest was a pioneer in delivering a mechanical trading replication fund.

Malek says there are two broad schools of thought on how to do this. Conquest's approach was that in order to replicate the performance of hedge funds, you have to replicate the process by which they trade.

Malek says the other approach, adopted by many banks in 2007 in a wave of product launches, is to use techniques such as factor modelling or pay-off distribution to replicate the returns themselves.

"The problem with that is the endeavour of replicating the returns is very unstable," he says. "It might work well in long stretches of risk-seeking or risk averse markets; however, it completely disintegrates when markets are going through changes from one environment to another. It is just simply not fast enough to factor in those changes."

Malek adds: "And unfortunately for banks, 2008 came right on the back of these products, and they all got pretty much blown out of the water."

To replicate the CTA industry by process, Conquest adopted trend-following, as the dominant strategy of the sector.

"And we opted for breakout strategies because mathematically it was a more elegant solution," he says. "But essentially the process is interchangeable; you can use any trend-following technique."

Conquest selected a range of 55 markets to trade, based on a survey of 20 of the largest CTAs, using an average of their sector allocations and most commonly used markets, while also maintaining some geographical diversification. But rather than adopting the 30- to 60-day breakout lengths used by most CTAs in the study, Conquest incorporated time frame diversification into MFS, with support from the university endowment.

As Conquest was looking at time frame diversification, its analysis for breakout strategies ranged from two or three-day breakouts at the low end to a 200-day breakout at the high end.

I'm not saying there is no alpha. I think there is. It's just not as prevalent as people think. To a large extent what hedge funds have done is alternative beta and charged alpha prices for it

Malek says figuring out how many different time frames the program would trade was simple as the endowment was taking a $50m account. And the maximum number of strategies that could be traded to minimise the slippage between a $50m portfolio and a $500m portfolio came to 20, he says.

Conquest initially thought of using equal settings, five days apart. But analysis showed that the correlation between the timeframes was not linear. The correlation between a five-day and six-day breakout was a lot less than six to seven, and became almost identical at the 30- or 40-day breakout timeframe.

Conquest instead settled on logarithmic spacing to avoid the unintended result of equal settings creating a portfolio that was not truly diversified across timeframes, but more heavily correlated with long-term trend-followers.

Among the 20 MFS strategies, around one third use breakouts under 20 days, around one quarter between 20 and 60 days, and the remainder are longer term.

"Since we launched MFS it has done very well compared to the CTA indices. And it has had a very consistent 70% to 80% correlation to these indices," says Malek.

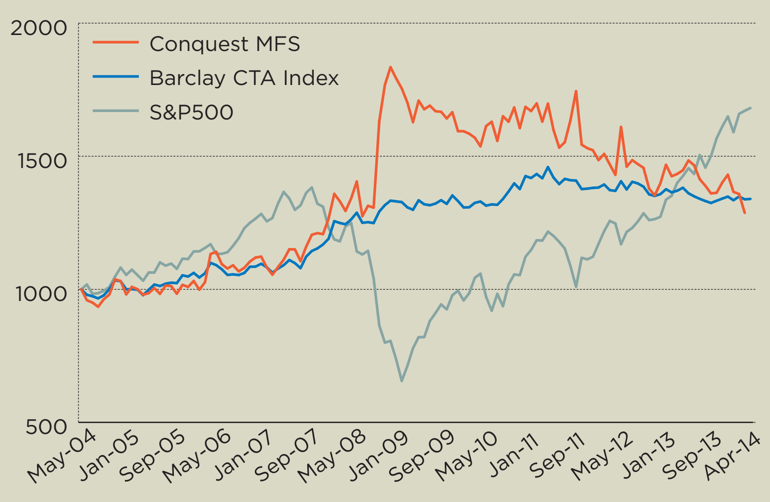
New school/old school style-drift

While correlations among trend-followers remains high, Malek is among many commentators to observe a divergence in approaches.

"If you look at the trend-following industry from the beginning in the 1970s to the early and mid-2000s, it was all a very homogeneous space. Everyone was doing the same thing," he says. "But starting in the mid-2000s, we started to see some bifurcation into what I call the old school CTAs, and the new school CTAs."

The reason, Malek says, is twofold. In order to lower the volatility of their returns a lot of the "new

CONQUEST MANAGED FUTURES SELECT VAMI



Source: BarclayHedge, S&P and Conquest Capital school" CTAs have essentially started employing more frequent adjustment of their positions based on the volatility of the markets that they trade.

"But the cost of it is in periods of high volatility in the market, where I believe CTAs tend to do very well," he says. "These guys are essentially giving up their edge because given the high volatility they will have very little position in the market and underperform."

Malek says even in 2008, a stellar year for CTAs, there were big differences in performance. MFS returned 51.9% during that year, including a 24.9% gain in October, when Lehman blew up. Others had equally good results. But Malek says because volatility had expanded so much during the year, some CTAs went into the last quarter with almost no positions and as a result didn't take "full advantage" of the volatility that happened.

"The way I see it is CTAs are a strategy that people associate more with tail risk protection and diversification. In risk-seeking environments there are many other hedge fund strategies that do better than CTAs do.

"To me it's inconceivable that you have an investment in a CTA where you don't take full advantage of the tail events that happen.

"They happen very infrequently but this is where CTAs can add a lot of value."

Another area that Malek finds "disconcerting" is the addition by some CTAs of long risk strategies such as FX carry. He says those CTAs can look comparatively "very good" in risk-seeking periods.

But, he adds: "It's really because of the style drift by adding these long risk exposures."

Malek says Conquest has had many discussions with clients about the possibility of including a long risk component to its programs. "It makes sense from a portfolio theory perspective," he says. "Because you're taking two uncorrelated assets with positive expectancy and putting them together."

But he adds: "If individual CTAs start taking it upon themselves to improve their returns by adding that long risk, they are not only stepping on the toes of the portfolio they are in, the other strategies; they are also for the future providing a less clear stream of returns depending upon what happens in the market."

Malek says FX carry, for example, is a strategy that most of the time gets "really hurt" in risk averse periods.

Since Conquest MFS was launched, many lower cost trend-following, or core-momentum beta products, have entered the marketplace, particularly in recent years, either from existing CTA managers seeking to diversify their business, or new entrants to the space.

Malek welcomes the competition. "This is what I've been advocating for over ten years now," he says. "I'm not saying there is no alpha. I think there is alpha. It's just not as prevalent as people think.

"I think to a large extent what hedge funds have done is alternative beta to the market and charged alpha prices for it," he explains. "What we are trying to do is separate these two: let's call beta, 'beta', and let's call alpha, 'alpha'.

"I think as this idea develops and increases in acceptance then ultimately the result will be that investors will see that the majority of hedge funds, not just CTAs, will have to lower their fees to be closer to the beta level because they just don't have alpha."

He thinks the differentiator in these new products will come as much from the process of doing trend-following as the fees they charge, which he says is still "in flux", ranging from 1/10 to a simple 70bps management fee, or lower.

And for the funds that do have real alpha, Malek thinks the price of that alpha is "going to go up significantly". Conquest MFS, like Macro, is currently offered through managed accounts or an offshore fund.

So has Malek got plans to launch a version of MFS in a '40 Act wrapper, to make it available to retail investors? He says Conquest is in discussions with a potential partner with a view to a launch later this year.

"The models are ready and the systems are ready, it's just the legal wrapper that sometimes can take longer than anticipated," he says.

Conquest Macro

As short-term traders made an explosive start to 2014, Conquest stood out at the top of the league tables with a 13.1% return in January.

Conquest Capital's flagship Macro program had endured a dismal 2012, and stuttered again at the start of 2013. But improvements to the systematic program, implemented in February last year, have

FROM WAR GAMES TO WALL STREET

Conquest Capital Group was co-founded in 2001 by Marc Malek, a former worldwide head of the exotic FX derivatives group at UBS.

Born in Lebanon, Malek was sent to the US in the late 1980s by his parents to escape the prolonged civil war that had occupied most of his childhood. He graduated with a degree in Mathematics from Reed College in Oregon and a degree in engineering and applied science from California Institute of Technology (Caltech).

While at Caltech, he did extensive research on neural networks and was awarded a grant from the Pentagon to conduct "scenario analysis" research with computer-based decision systems, which involved optimising the locations of tanks on battlefields.

It was suggested to him that the same analysis could be applied to the financial markets, and his resulting published report landed him a job at Solomon Brothers in 1992 as a financial analyst. He passed up an offer to join Oracle, a then emerging tech company, to join the Wall Street bank.

In 1993, Malek was hired by KB Currency Advisors, a $400m hedge fund and financial advisor, where he traded currency options and worked on developing proprietary trend-following systems.

Malek joined UBS in 1995, where he held senior level positions among its FX desks in New York, Tokyo and London, rising to become executive director in charge of FX proprietary trading in Europe.

In 1999, he left the bank to go it alone and was a principal of Avalon Asset Management and Enterprise Asset Management until co-founding Conquest in 2001 with Richard Silver, a former UBS head of foreign exchange Asia and global head of proprietary trading.

Silver was to sell his membership interest in Conquest in 2007, and Proctor Investment Manager, a then $8bn private equity firm, purchased a 17.5% equity stake. Proctor remains a silent partner to this day.

seen it perform better in the prevailing risk-seeking environment, delivering an estimated 18.6% return in the 12 months to the end of Q1.

The difference in performance by hedge funds in risk-seeking regimes and periods of market risk aversion is a research area Conquest has long been occupied with. A 2005 Conquest study found a strong relationship between market risk appetite and performance, with hedge funds performing significantly better under risk-seeking regimes.

The study led to the creation of the Conquest Risk Aversion Index, now published on Bloomberg, which offers a prism through which to analyse the returns of investments in the different market environments, and a tool that can be used to tailor asset allocations and trading.

"For the longest time most of the research in Conquest Macro has been dedicated to how we can improve our performance in risk-seeking periods," explains Malek.

"We never had any issues generating very large amounts of profit in risk averse periods. The one question we been working on for the past seven or eight years, if not more, is: 'How can we keep our returns the same in risk averse periods, while improving them in risk-seeking periods?'"

The marked improvement in the past 12 months has been the result of incorporating more of the analysis on risk environment into how Conquest allocates capital and risk among its different strategies, says Malek.

"We took down some of our strongest biases for risk averse performance to get more dynamic, based on the risk environment," he explains.

Malek says he views market risk appetite as spending about 70% of time risk-seeking, and about 30% of the time being risk averse.

"What I believe we have today is a strategy that will still return 30%-plus annualised in risk averse periods, but will return somewhere between 5% to 10% in risk-seeking periods," he says.

"So going forward I think we should be, in normal market conditions, about a 15% average annual strategy. But more importantly, the bulk of that return will come from risk averse periods. So we will be an absolute return strategy with a very strong portfolio benefit as well."

While Conquest's assets peaked at nearly $1bn in 2011, like many CTAs it has suffered from outflows in recent years.

As of 1 May the firm was managing around $280m, roughly split across its two core strategies: Conquest Macro, which is offered at 2/20 fees, and the lower cost Conquest MFS.

It's up to the investor to decide whether we're going to be in a volatile period or non-volatile period and decide what investment is best for them then

Malek says Conquest's current investors are its oldest and largest, including the university endowment, who have been clients for more than ten years. Other investors were lost due to "performance, the liquidity and nature of what we do". He adds that Conquest also has quite a large chunk of "seasonal investors".

"When the VIX goes below 15 and stays there for a couple of months they redeem, and when the VIX goes above 20 and stays there for a couple of months they come back," he says.

Malek says Macro's mandate is to be an absolute return strategy and to achieve the most of its returns in periods of risk aversion. It consists of four independent strategies: short-term long volatility, trend-following and counter-trend strategies, and a risk capture strategy.

"One way to look at it is an alternative to short sellers. If you compared Conquest Macro to short-sellers you see it's done a much better job," he says.

MFS, meanwhile, is designed to be the "purest, most efficient way to capture trend-following," he explains.

He says Conquest aims to make both the Macro and MFS the best they can be within their categories, but adds: "It's up to the investor to decide whether we're going to be in a volatile period or non-volatile period and decide what investment is best for them then."

The core programs will soon be joined by a "best ideas" all-weather product that Malek reveals Conquest has been developing to launch later this year.

"This is one investment that you don't have to think of what risk environment you're in. This is just an absolute return strategy. And it should stand the comparison to any investment over the same period."

He says it will combine many sub-strategies that Conquest has been working on in the past few years and be offered as a traditional 2/20 institutional product.

So what of Conquest's prospects for the future? Malek says the last five years have been "horrendous" for trend-following as well as many other trading strategies, in large part due to "unprecedented" central bank interventions. But it's not something that can go on forever, Malek says.

"I feel we're closer to the end of this tunnel than we are in the middle of it," he says. "We have moved from an easing bias of the Fed to a tightening bias. I can see hope in that action; that we are on our way back to more normal market function.

"Given the changes that have happened in the last five years, where so many people exited the fixed income world, where so many people exited a lot of the trading strategies, as we come back to normal we can see an environment with a higher level of volatility than the one we left five years ago.

"And I think that can only be very good for whoever is still standing when that volatility comes back." CTA